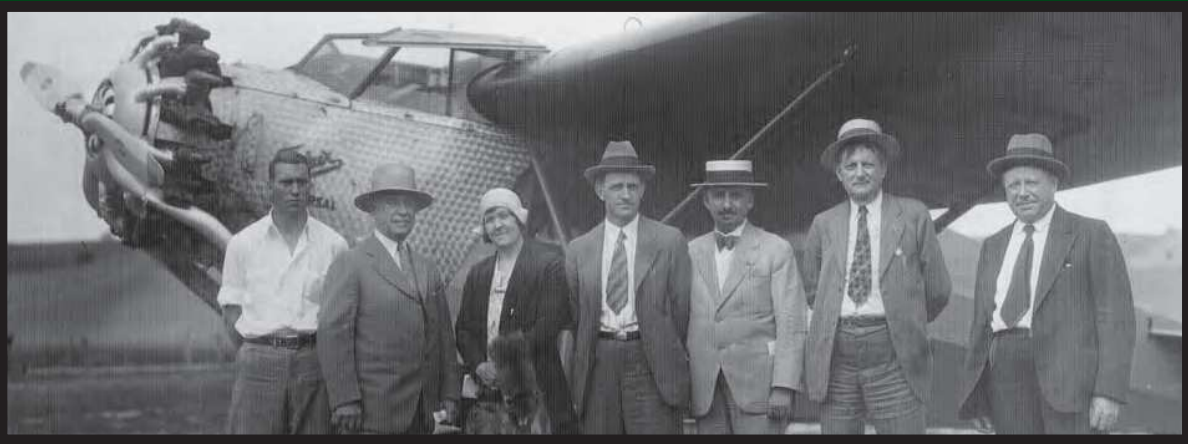
State of Idaho

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010



Idaho's State Controller

Donna M. Jones, Idaho's 20th State Controller (2007-present), and a resident of Payette rose to political prominence with her appointment to Idaho House District 13 in 1987. Jones served 12 distinguished years in the House which culminated in her being the first woman selected to chair the powerful House Revenue and Taxation Committee. In addition to being a female trailblazer in legislative politics, Jones is the first woman elected to serve as Idaho State Controller.

Jones brings a wealth of private and public sector management and leadership experience to the job. Before entering politics Jones was a successful business person for 30 years, owning and operating auto parts stores and a real estate brokerage firm. Immediately prior to her election, she served eight years as Executive Director of the Idaho Real Estate Commission.

Jones is an Idaho Certified Public Manager and served on the Idaho Hispanic Commission, Idaho Housing & Finance Association Advisory Board, Idaho Permanent Building Fund Advisory Council, and Multi-State Tax Commission.

As the State Controller Jones serves Idaho citizens as a member of four statewide organizations. The Idaho State Board of Land Commissioners manages Idaho's public endowment lands, land that benefits public schools and institutions. The Idaho State Board of Canvassers certifies election results. The Idaho State College Savings Program Board provides families with an affordable way to save for college under a "529 college savings program", named IDeal. The Information Technology Resource Management Council (ITRMC) reviews and evaluates telecommunications policies and systems for state agencies.

State Controller Jones observing an endowment timber harvest.

Idaho State Controller's Office Photos

State of

IDAHO

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

C.L. "Butch" Otter
Governor

Donna M. Jones
State Controller

Prepared by the Office of the State Controller

This document and related information is available at www.sco.idaho.gov

State of Idaho

Office of the State Controller

Donna M. Jones
State Controller

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Thanks and appreciation to the Bureaus of Accounting Operations, Systems Administration, and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies make this report possible.

State of Idaho
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2010

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Introductory Section

Upon admission into the Union in 1890, the newly ratified Idaho Constitution created a statewide elected office, "State Auditor," bearing the same duties as the Territorial Auditor. **Silas Moody** served both as an appointed auditor in the territorial government during 1885 and as Idaho's first elected State Auditor from 1891 to 1893.

Photo Courtesy of the Idaho State Historical Society

STATE OF IDAHO

OFFICE OF THE STATE CONTROLLER

Donna M. Jones

December 3, 2010

To: The Citizens, Governor, and Members of the Idaho State Legislature

As the State's Chief Fiscal Officer, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010, in accordance with Idaho Code, Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board.

The Office of the State Controller assumes responsibility for both the reliability and completeness of the information presented in this report. Internal controls are designed to provide reasonable, but not absolute, assurance the financial statements are free from material misstatement. I am confident the data presented is accurate in all material respects and fairly sets forth the financial position of state operations based upon the internal control structure established by management.

In accordance with Idaho Code, Section 67-702, the Legislative Audit staff of the State Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2010. Based upon that audit, the independent auditor has issued an unqualified opinion that the State of Idaho's basic financial statements are fairly presented in conformity with GAAP. The Independent Auditor's Report is located at the front of the financial section of this report.

In addition, the Legislative Audit staff conducts statewide audits under the Federal Single Audit Act of 1984 and the related Office of Management and Budget Circular No. A-133 in order to meet the special needs of federal grantor agencies. Information regarding Idaho's Single Audit is issued in a separate report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The intent of this letter of transmittal is to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. The State covers 83,557 square miles and has a population of 1.6 million people.

Idaho's government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is administered and supervised by the Idaho Supreme Court which is presided over by a Chief Justice and four Associate Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. The financial reporting entity includes all funds of the primary government as well as material component units for which the primary government is financially accountable. Additional information on component units can be found in Note 1 to the financial statements.

The annual budgetary process serves as the foundation for the State's financial planning and control. Budgets are annually appropriated for the following governmental funds: general, special revenue, capital projects, and earnings of the permanent funds. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further

described in the note to the required supplementary information and the separately issued Legal Basis Financial Report.

ECONOMIC CONDITION

Economy

The last two years have been difficult for the nation, Idaho included. It will take several years before Idaho experiences the full effect of an economic recovery. Economic forecasts over the past few quarters have been revised, lowering the outlook and expected results for the next three years. While Idaho's economy is expected to grow over the next three years, the recovery will be modest.

Idaho employment is forecast to grow slightly through 2013, state and local government employment is expected to decline in 2011 and grow less than half a percent in the following two years. Economists believe Idaho employment will grow faster than the nation in the near term. Idaho nonfarm employment is forecast to grow an average of 2.3 percent over the next three years while national employment growth is predicted to average about 1.7 percent. In addition, by 2013 the State is expected to gain back virtually all of the jobs it lost in 2009 and 2010.

Idaho's population is predicted to grow almost 2 percent each year for the next three years. The growth is a result of an increased birth rate and net migration. For the first time in four years, housing starts are forecast to rise, beginning with an increase of 20.2 percent in 2010. Economists forecast an increase in 2011-2013, but at a declining rate.

With a rise in the U.S. Gross Domestic Product, economists predict Idaho will also see a rise in personal income through 2013. Although wage and salary payments to Idaho workers will increase over the next three years, so will government payments to qualifying recipients, indicating an economy still in recovery.

Long-Term Financial Planning

The Economic Outlook and Revenue Assessment Committee projected a $10.0 million increase in revenue for fiscal year 2011. However, in order to balance the state budget, the Legislature was required to make significant cuts to state agencies and public schools' base budgets. Most of the rescissions made to the fiscal year 2010 budget became permanent for fiscal year 2011. Non-federally mandated pricing increases and caseload growth for the Medicaid program were capped, as were statutory increases for programs in public schools for early retirement. In addition, funding was not made available for new items.

Financial Policies

Article VII of the Idaho Constitution allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon sales tax or income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

The State, through Idaho Code, Sections 57-814, 67-3520, and 33-907, maintains funds for the purposes of meeting General Fund revenue shortfalls, meeting expenses incurred because of a major disaster, providing tax relief to the citizens of Idaho on a one-time basis, or providing a uniform and thorough system of public education. The fiscal year 2010 ending fund balance in the reserve funds was as follows: budget stabilization fund, $30.9 million; economic recovery fund, $49.1 million; and public education stabilization fund, $23.2 million. The budget stabilization and economic recovery funds saw a decrease in their ending fund balance of $97.3 million and $19.7 million, respectively. The education stabilization fund's ending balance increased from fiscal year 2009 by $5.2 million.

Major Initiatives

Health and Human Services. The Department of Health and Welfare received an appropriation of $2.0 billion for fiscal year 2011, a decrease of $3.1 million, or 0.2 percent. Federal funding provided 78.2 percent of the Department's total appropriation. The appropriation for Medicaid funding was $1.6 billion, an increase of 3.1 percent from the prior fiscal year. Of the total Medicaid appropriation, 74 percent came from the federal government. The increase will provide funding for caseload growth and federally mandated pricing increases.

Public Schools. The total appropriation for fiscal year 2011 was $1.6 billion, a decrease of $128.5 million or 7.5 percent from the previous year. The major contributing factor of the decrease came from a reduction of $138.3 million from the Title XIV American Recovery and Reinvestment Act (ARRA). Teachers and Administrators will see a reduction in base salaries of 4 percent and 6.5 percent respectively, while operations will see a 14.4 percent reduction. Funding will continue to be provided for ISAT remediation, the Idaho Reading Initiative, and the Math Initiative.

Transportation. The Legislature appropriated $483.6 million to the Idaho Transportation Department for fiscal year 2011. In addition to highway construction and maintenance, portions of the funding will be used for the DMV Information Technology modernization, and to

develop and enhance the financial planning system. The Legislature also granted $12.0 million in bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds. This results in the fifth consecutive year of bonding authority for the Department and includes the right-of-way acquisition for State Highway 16.

Colleges and Universities. The colleges and universities received an appropriation of $377.7 million for fiscal year 2011, a decrease of 7.8 percent. While the overall appropriation includes $4.3 million of ARRA funds, part of the decrease is due to removing a one-time $10.0 million appropriation to the University of Idaho for the development of a livestock center.

Department of Correction. A total appropriation of $168.8 million in fiscal year 2011 is an overall reduction of 0.6 percent from the prior year. The Department received $2.0 million in one-time ARRA funding to help ease critical staffing needs. Additional funding was also received to support a per diem increase, new beds added at the private prison, and to cover expenses related to the 400-bed Correctional Alternative Placement Program facility that opened July 1, 2010.

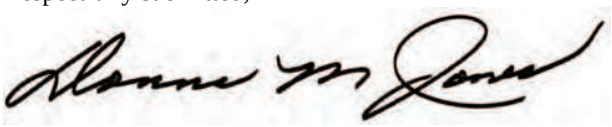
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This is the 13th consecutive year the State has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The State Controller's Office is committed to this ongoing effort and intends to maintain a highly qualified and professional staff to make Idaho's certification possible.

The Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the System for the last 19 years. The PERSI also received GFOA's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2009.

The State Controller's Office takes great pride in the preparation of this comprehensive report. I am pleased to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for their independence, dedication, and professionalism. Credit must also be given to Governor Otter and other state leaders for their dedication towards the management of Idaho's finances.

Respectfully submitted,



Donna M. Jones
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

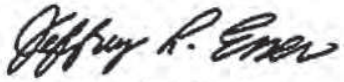
Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President



Executive Director

2010 Organization Chart
Idaho State Government

Citizens of Idaho

LEGISLATIVE BRANCH
Senate
House of Representatives
Legislative Services

EXECUTIVE BRANCH
Governor
Lieutenant Governor
Attorney General
Secretary of State
State Controller
State Treasurer
Superintendant of Public Instruction

JUDICIAL BRANCH
Supreme Court
Court of Appeals
District Court
Magistrate Court

State Agencies, Boards, Commissions, and Divisions by Function

General Government

- Board of Tax Appeals
- Commissions:
  - Aging
  - Arts
  - Blind and Visually Impaired
  - Human Rights
  - Tax
- Department of Administration
- Divisions of:
  - Financial Management
  - Human Resources
  - Liquor
  - Military
- Offices of:
  - Drug Policy
  - Species Conservation
- Public Employee Retirement System
- State Bar
- State Building Authority

Education

- Boise State University
- Bureau of Educational Services for the Deaf and the Blind
- Division of Professional-Technical Education
- Eastern Idaho Technical College
- Idaho State University
- Lewis-Clark State College
- Public Broadcasting
- State Board of Education
- University of Idaho
- Vocational Rehabilitation

Public Safety

- Brand Inspector
- Correctional Industries
- Departments of:
  - Correction
  - Juvenile Corrections
- Idaho State Police
- Racing Commission

Natural Resources

- Departments of:
  - Environmental Quality
  - Fish and Game
  - Lands
  - Parks and Recreation
  - Water Resources
- Endowment Fund Investment Board
- Office of Energy Resources
- Lava Hot Springs Foundation

Health and Human Services

- Catastrophic Health Care
- Department of Health and Welfare

Economic Development

- Appellate Public Defender
- Boards of:
  - Accountancy
  - Dentistry
  - Engineers
  - Medicine
  - Nursing
  - Outfitters and Guides
  - Pharmacy
  - Veterinary Medicine
- Bureau of Occupational Licenses
- Commissions:
  - Dairy Products
  - Hispanic Affairs
  - Industrial
  - Libraries
  - Potato
  - Public Utilities
  - Real Estate
  - Wheat
- Departments of:
  - Agriculture
  - Commerce
  - Finance
  - Insurance
  - Labor
  - Transportation
- Divisions of:
  - Building Safety
  - Veterans Services
- Idaho State Lottery
- State Historical Society

Elected Officials of the State of Idaho

C.L. "Butch" Otter
Governor

Ben Ysursa
Secretary of State

Donna M. Jones
State Controller

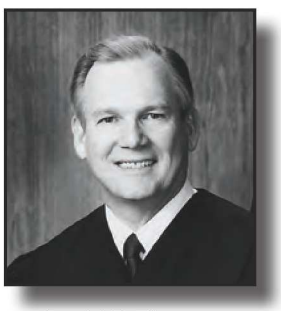
Brad Little
Lieutenant Governor

Ron G. Crane
State Treasurer

Lawrence G. Wasden
Attorney General

Tom Luna
Superintendent of Public Instruction

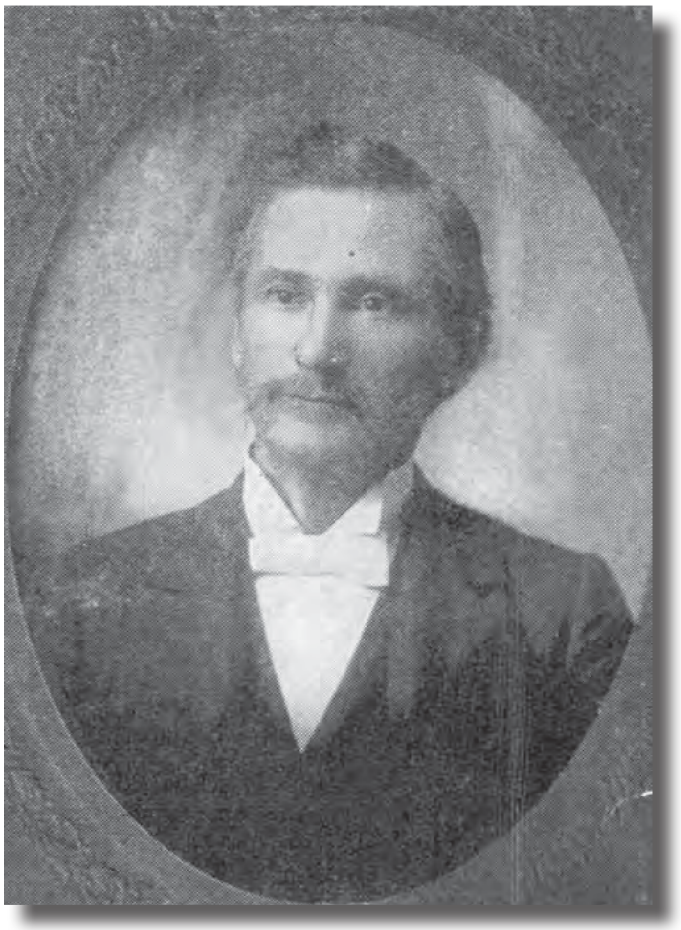
Lawerence E. Denney
Speaker, Idaho House of Representatives



Daniel T. Eismann
Chief Justice, Idaho Supreme Court

Robert L. Geddes
President Pro Tempore, Idaho State Senate

Financial Section



Better known as "Wagon Wheel Jones" for his stoic efforts in the Legislature to get money to build wagon roads, Auditor **Egbert W. Jones** served from 1901 to 1903. Auditor Jones, shown at left, recorded the State's total indebtedness at $1.55 at the close of his term, a 55 cent increase from the preceding year.

For many years the State Auditor's report included livestock counts: the total number of cattle, yearlings, sheep, mules, milk cows, horses, goats, and jackasses in each county. During **Robert S. Bragaw's** term from 1905 to 1909 for example, Ada County reported two jackasses while Canyon County reported nine, a genuine historical recording.

Photo Courtesy of the Idaho State Historical Society

Legislative Services Office
Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 3, 2010

Independent Auditor's Report

Honorable C.L. "Butch" Otter, Governor
Honorable Members of the Legislature
Honorable Donna M. Jones, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2010, that collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho and their respective component units, nor the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, Public Employees' Deferred Compensation Plan, Idaho Judges' Retirement Fund, IDeal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Petroleum Clean Water Trust Fund, Idaho Building Authority, Bond Bank Authority, and the Idaho Housing and Finance Association. Those financial statements represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

Government-Wide Financial Statements	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities	17.0%	3.6%
Primary Government - Business-Type Activities	66.3%	62.2%
Aggregate Discretely Presented Component Units	100.0%	100.0%

Fund Financial Statements	Percent of Assets	Percent of Revenues
Governmental Funds Land Endowments – Major Fund	99.80%	100.0%
Proprietary Funds		
College and Universities - Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	80.9%	32.2%

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those agencies and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The financial statements of the Idaho Housing and Finance Association, Idaho State University, University of Idaho, Eastern Idaho Technical College Foundation, Boise State University Foundation, Idaho State University Foundation, and the Public Employees' Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12, and the required supplementary information on pages 104 through 109, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

Don H. Berg, CGFM, Manager
Legislative Audits Division

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the State of Idaho for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

Idaho reported net assets of $8.7 billion for the fiscal year ended June 30, 2010, comprised of $11.6 billion in total assets offset by $2.9 billion in total liabilities. Of this amount, $771.3 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

The State's total net assets increased by $203.8 million during fiscal year 2010. Net assets of governmental activities increased $197.1 million, while net assets of business-type activities increased $6.7 million.

Fund Highlights

At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $2.2 billion, with $1.2 billion reserved for specific purposes and $1.0 billion unreserved. This includes the General Fund's unreserved fund balance of $489.7 million.

Long-Term Debt

The State's long-term debt increased $342.5 million from $1.0 billion in fiscal year 2009 to $1.4 billion in fiscal year 2010. The key factors in this increase were bonds and notes issued by the Idaho Transportation Department, the Department of Labor, and the colleges and universities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report is an introduction to the State's basic financial statements, which include the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which provide information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to a private business, where all or a significant portion of costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.

Discretely presented component units are organizations legally separate from and financially accountable to the State. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, and the Idaho Bond Bank Authority.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements and capabilities. This approach is known as using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, permanent funds, and capital projects funds.

Two schedules in the governmental fund financial statements reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services to other funds or departments of the primary government. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- Budgetary comparison schedules and note disclosure showing the reconciliation of the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements
- Condition and maintenance data regarding the State's infrastructure reported using the modified approach
- Schedules of funding progress and actuarial information related to the State's obligation to provide pension and postemployment benefits to certain employees

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, capital projects, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceeded liabilities by $8.7 billion for the most recent fiscal year. The State's combined net assets increased $203.8 million over the course of this fiscal year's operations. Net assets of governmental activities increased $197.1 million, and business-type activities net assets increased $6.7 million.

Net Assets
June 30, 2010 and 2009
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	**2009***	**2010**	**2009***	**2010**	**2009***
Current and Other Assets	$3,623,812	$3,583,936	$1,321,202	$1,127,659	$4,945,014	$4,711,595
Capital Assets	5,602,576	5,295,853	1,064,341	1,005,492	6,666,917	6,301,345
Total Assets	9,226,388	8,879,789	2,385,543	2,133,151	11,611,931	11,012,940
Other Liabilities	1,062,840	1,038,059	250,947	197,502	1,313,787	1,235,561
Long-Term Liabilities	847,892	723,219	725,690	533,436	1,573,582	1,256,655
Total Liabilities	1,910,732	1,761,278	976,637	730,938	2,887,369	2,492,216
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,953,158	4,782,892	610,890	562,915	5,564,048	5,345,807
Restricted	1,784,243	1,566,748	604,989	640,725	2,389,232	2,207,473
Unrestricted	578,255	768,871	193,027	198,573	771,282	967,444
Total Net Assets	**$7,315,656**	**$7,118,511**	**$1,408,906**	**$1,402,213**	**$8,724,562**	**$8,520,724**

*These columns have been restated. More detailed information can be found in Note 13.

The largest component of the State's net assets, 63.8 percent ($5.6 billion), reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending.

Restricted net assets are the next largest component, comprising 27.4 percent ($2.4 billion). These resources are not available for general use due to restrictions placed on them by external parties such as creditors, grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 8.8 percent ($0.8 million) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

At the end of the current fiscal year, the State reported positive balances in all three categories of net assets for the State as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

The following condensed financial information was derived from the current and prior year government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

Change in Net Assets
For the Fiscal Years Ended June 30, 2010 and 2009
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent
	2010	2009*	2010	2009*	2010	2009*	Change
Revenues							
Program Revenues							
Charges for Services	$612,825	$614,306	$928,120	$767,667	$1,540,945	$1,381,973	11.5
Operating Grants and Contributions	2,935,393	2,034,795	301,764	293,673	3,237,157	2,328,468	39.0
Capital Grants and Contributions	4,660	8,892	44,094	21,154	48,754	30,046	62.3
General Revenues							
Sales Tax	1,127,013	1,177,106			1,127,013	1,177,106	(4.3)
Individual and Corporate Taxes	1,242,032	1,320,968			1,242,032	1,320,968	(6.0)
Other Taxes	407,272	400,602			407,272	400,602	1.7
Other	42,920	67,233			42,920	67,233	(36.2)
Total Revenues	6,372,115	5,623,902	1,273,978	1,082,494	7,646,093	6,706,396	14.0
Expenses							
General Government	548,757	450,875			548,757	450,875	21.7
Public Safety and Correction	320,423	326,125			320,423	326,125	(1.7)
Health and Human Services	2,182,592	2,115,148			2,182,592	2,115,148	3.2
Education	1,830,608	1,850,258			1,830,608	1,850,258	(1.1)
Economic Development	799,054	743,811			799,054	743,811	7.4
Natural Resources	241,508	241,108			241,508	241,108	0.2
Interest Expense	45,782	46,767			45,782	46,767	(2.1)
College and University			898,012	897,048	898,012	897,048	0.1
Unemployment Compensation			331,116	338,600	331,116	338,600	(2.2)
Loan			9,624	5,910	9,624	5,910	62.8
State Lottery			110,204	105,780	110,204	105,780	4.2
State Liquor			118,022	117,185	118,022	117,185	0.7
Correctional Industries			6,553	8,323	6,553	8,323	(21.3)
Total Expenses	5,968,724	5,774,092	1,473,531	1,472,846	7,442,255	7,246,938	2.7
Increase (Decrease) in Net Assets before Transfers	403,391	(150,190)	(199,553)	(390,352)	203,838	(540,542)	(137.7)
Transfers	(206,246)	(251,847)	206,246	251,847	0	0	
Change in Net Assets	197,145	(402,037)	6,693	(138,505)	203,838	(540,542)	(137.7)
Net Assets, Beginning of Year, as Restated	7,118,511	7,520,548	1,402,213	1,540,718	8,520,724	9,061,266	(6.0)
Net Assets, End of Year	**$7,315,656**	**$7,118,511**	**$1,408,906**	**$1,402,213**	**$8,724,562**	**$8,520,724**	2.4

*These columns have been restated. More detailed information can be found in Note 13.

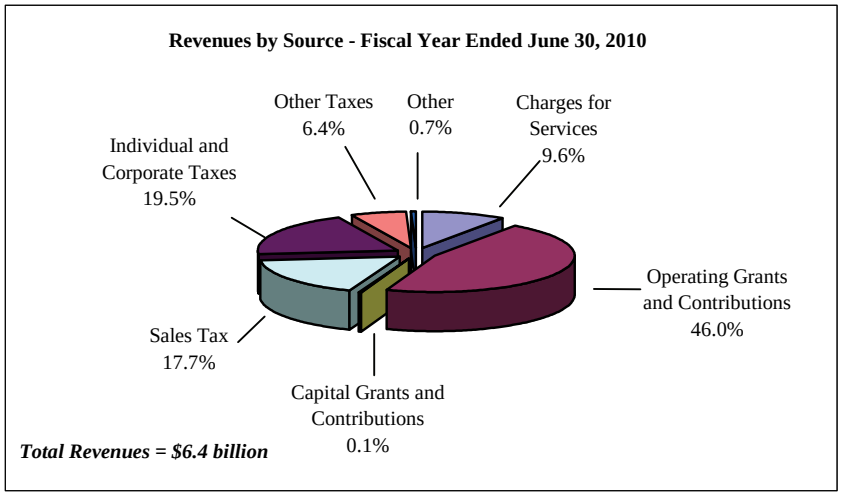
The Total Percent Change column shows the percentage change in operations from fiscal year 2009 to 2010 for each line item. Readers should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (e.g., 62.8 percent for the Loan fund of $3.7 million), it may not have as significant of an effect on the overall change in net assets as a change in a more material line item with a smaller percentage change (e.g., 3.2 percent for Health and Human Services of $67.4 million).

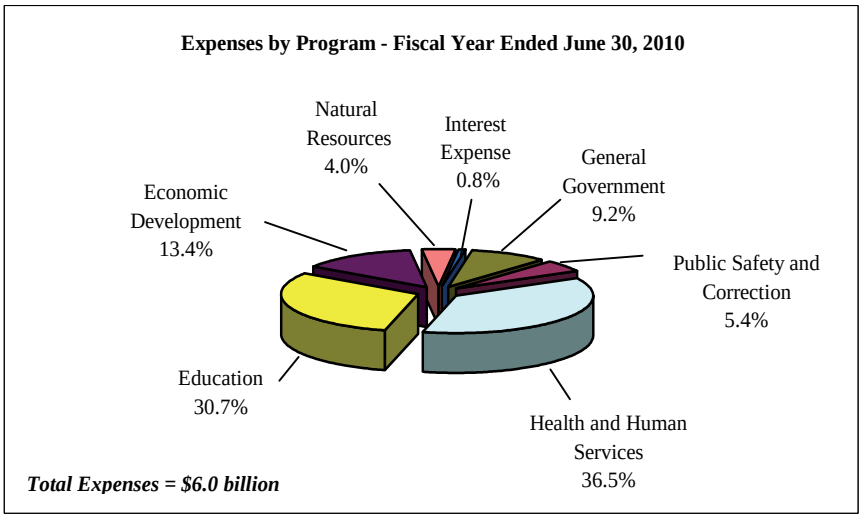
Governmental Activities

The overall financial position for Governmental Activities improved during the fiscal year, as evidenced by the 2.8 percent increase ($197.1 million) in net assets. The key element of this increase was a 44.3 percent increase ($900.6 million) in operating grants and contributions revenues, primarily due to the increase in federal grant revenue from the American Recovery and Reinvestment Act of 2009 (federal stimulus dollars) for health care assistance, education, and transportation. This increase was offset in part by a 4.3 percent decrease ($50.1 million) in sales tax revenue, a 6 percent decrease ($78.9 million) in individual and corporate tax revenue, and a 36.2 percent decrease ($24.3 million) in other revenue, primarily due to decreased investment earnings and a reduction in tobacco settlement revenue.

General Government expenses increased by 21.7 percent ($97.9 million) primarily due to tax refunds and various building projects completed for the colleges and universities. Health and Human Services expenses increased during the year by 3.2 percent ($67.4 million) due to greater medical assistance payments, mainly related to Medicaid and rehabilitation services. Economic Development expenses increased by 7.4 percent ($55.2 million) primarily related to infrastructure maintenance and preservation.

The following charts depict revenues and expenses of the governmental activities:


Revenues by Source - Fiscal Year Ended June 30, 2010
Other Taxes 6.4%
Other 0.7%
Charges for Services 9.6%
Individual and Corporate Taxes 19.5%
Operating Grants and Contributions 46.0%
Sales Tax 17.7%
Capital Grants and Contributions 0.1%
Total Revenues = $6.4 billion


Expenses by Program - Fiscal Year Ended June 30, 2010
Natural Resources 4.0%
Interest Expense 0.8%
General Government 9.2%
Economic Development 13.4%
Public Safety and Correction 5.4%
Education 30.7%
Health and Human Services 36.5%
Total Expenses = $6.0 billion

Business-Type Activities

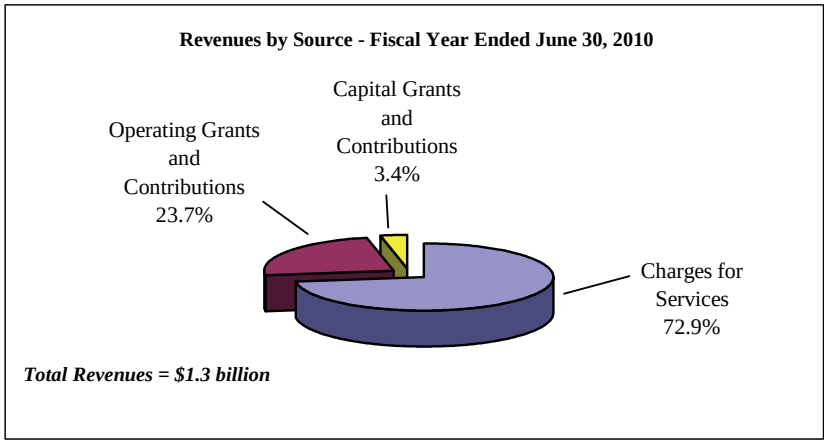
Business-type activities' net assets increased by 0.5 percent ($6.7 million) in fiscal year 2010. The largest changes were seen in the following funds:

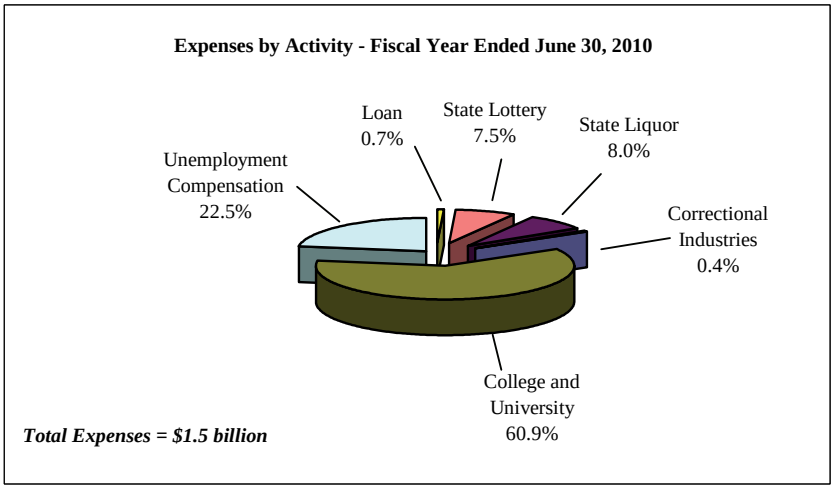
- The Unemployment Compensation fund net assets decreased by 73.6 percent ($82.9 million). The deepest job loss Idaho has experienced since World War II drove unemployment insurance tax rates up 70 percent. Even though employer's assessment revenue increased by $131.0 million, unemployment compensation benefits remained at $331.1 million, only $5.4 million below the previous year's payments. Federal grant revenue decreased by $33.6 million due to a single grant received in 2009 to modernize the State's unemployment insurance system.

- Loan fund net assets increased by 9.8 percent ($35.2 million) primarily due to an increase in federal grants of $6.0 million to provide loans to municipalities for improvements to wastewater and drinking water systems and a reduction of $3.0 million for services and supplies expenses. Grant revenues were offset in part by an increase of $6.8 million in subgrants and loans to municipalities to make improvements to wastewater and drinking water systems and a reduction of $4.1 million in transfers from the State's General Fund and the Agriculture and Natural Resources fund.

- College and University fund net assets increased by 6 percent ($51.9 million) primarily due to an increase of $21.5 million in student tuition and fees and an increase of $58.5 million in gifts, grants, and capital contributions. These increases were partially offset by a $16.9 million increase in scholarship and fellowship expenses, and a $45.4 million decrease in transfers from the General Fund.

The following charts depict revenues and expenses of the business-type activities:


Revenues by Source - Fiscal Year Ended June 30, 2010
Capital Grants and Contributions 3.4%
Operating Grants and Contributions 23.7%
Charges for Services 72.9%
Total Revenues = $1.3 billion


Expenses by Activity - Fiscal Year Ended June 30, 2010
Loan 0.7%
State Lottery 7.5%
State Liquor 8.0%
Unemployment Compensation 22.5%
Correctional Industries 0.4%
College and University 60.9%
Total Expenses = $1.5 billion

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

At the close of fiscal year 2010, the State's governmental funds reported combined ending fund balances of $2.2 billion, an increase of $10.0 million in comparison with fiscal year 2009. Of the $2.2 billion, 45.6 percent ($1.0 billion) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance, 54.4 percent ($1.2 billion), is reserved to indicate that it is not available for new spending because it has been reserved for various commitments such as bond retirement, liquidation of purchase orders and contracts of the prior period, and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance was $489.7 million and reserved fund balance was $130.5 million. Total fund balance decreased 17.1 percent ($127.8 million) during fiscal year 2010 primarily as a result of decreased individual and corporate income tax of $97.5 million and decreased sales tax revenue of $52.4 million. These decreases were offset by a decrease of $251.3 million in education expenditures and a decrease of $27.4 million in public safety and correction expenditures. Additional information about education expenditures is provided below with the nonmajor governmental fund balances and the General Fund Budgetary Highlights.

Health and Welfare's fund balance decreased 49.8 percent ($10.6 million) during the fiscal year primarily as a result of decreased transfers in from the General Fund of $69.7 million, increased expenditures of $94.5 million due to greater Medicaid and rehabilitation services and income assistance payments, and increased intergovernmental revenue sharing of $25.4 million primarily as a result of federal subgrants to the Community Action Partnership Association and Health Districts. These decreases to fund balance were offset in part by an increase of $190.8 million in federal grant revenue from federal stimulus dollars.

Transportation's fund balance increased 21 percent ($32.8 million) during the fiscal year primarily as a result of increases of $113.6 million in federal grants from federal stimulus dollars for highway improvements and a $22.4 million decrease in payments made toward a note payable to the Idaho Housing and Finance Association. The Association issued Grant Anticipation Revenue Vehicle (GARVEE) bonds on behalf of Transportation for improvements to Idaho's roads. The proceeds and expenditures from GARVEE bonds are reported separately as a capital projects fund in the nonmajor governmental funds, described below. These increases to fund balance were offset by an increase in capital outlay expenditures of $99.3 million.

Land Endowments' fund balance increased $120.1 million during the fiscal year, due mainly to a $344.7 million increase in the fair market value of investments. This increase was primarily due to a recovery in equity prices from the preceding year's unprecedented liquidity crisis in fixed income markets.

Nonmajor governmental fund balances decreased by $4.5 million during the fiscal year, mainly due to increased education expenditures of $218.1 million. This decrease in fund balance was offset by increased receipts of $254.2 million of federal grants and gifts primarily due to federal stimulus funding for education, employment, disaster relief, and sport fishing and wildlife restoration projects and a decrease of $41.1 million for capital outlay expenditures.

Proprietary Funds

Proprietary funds provide the same type of information found in the Business-Type Activities columns of the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

As monthly revenue collections continued to be less than revenue projections throughout the fiscal year, the original 2010 General Fund budget of $3.0 billion was reduced by $84.9 million (2.9 percent) to $2.9 billion. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variance between the final budget and actual spending was a favorable $137.9 million (4.8 percent). Overall, the General Fund revenue was 6.2 percent ($167.0 million) less in fiscal year 2010 than in fiscal year 2009. In order to balance the budget, $133.5 million was used from reserve funds and $15.0 million was transferred in from dedicated funds. Original appropriations for Public School budgets were maintained during fiscal year 2010 by using $49.3 million from the Public Education Stabilization Fund, and $145.7 million from federal stimulus funding in place of the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010 the State had $6.7 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below. Depreciation expense for this fiscal year totaled $122.7 million.

Capital Assets as of June 30, 2010 and 2009

(Net of depreciation, dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	**2009***	**2010**	**2009***	**2010**	**2009***
Land and Land Use Rights	$1,012,331	$973,479	$99,227	$95,247	$1,111,558	$1,068,726
Capital Assets in Progress	1,038,175	1,141,939	94,412	57,474	1,132,587	1,199,413
Infrastructure--not Depreciated	2,155,646	2,030,524			2,155,646	2,030,524
Historial Art and Collections	122	122	2,191	2,158	2,313	2,280
Buildings and Improvements	594,795	435,138	750,359	730,153	1,345,154	1,165,291
Improvements Other Than Buildings	55,525	47,924	20,305	20,738	75,830	68,662
Machinery, Equipment, and Other	167,652	140,004	97,847	99,722	265,499	239,726
Infrastructure--Depreciated	578,330	526,723			578,330	526,723
Total	**$5,602,576**	**$5,295,853**	**$1,064,341**	**$1,005,492**	**$6,666,917**	**$6,301,345**

*These columns have been restated. More detailed information can be found in Notes 6 and 13.

The total increase in invested in capital assets for the current fiscal year (including additions and deductions) was 5.8 percent or ($365.6 million) over the previous year's adjusted ending balance. The State implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This change in accounting principle increased the prior year's balance for Capital Assets in Progress by $54.3 million and Machinery, Equipment, and Other by $9.6 million. This year's major additions include $476.4 million spent for infrastructure assets, which includes capital assets in progress of $250.3 million, roadways of $131.4 million, rights-of-way of $32.9 million, and bridges, rest areas, and ports of entry of $61.8 million.

The State uses the traditional method of depreciation for its 1,777 bridges and 39 rest areas or ports of entry. The State has adopted the modified approach for reporting roads. Under this alternative method certain maintenance and preservation costs are expensed, and depreciation expense is not reported. Approximately 11,989 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The roadway surface condition is determined using two pavement condition data elements, road roughness and pavement distress (cracking). Roadway surface is categorized as good, fair, poor, or very poor. The State's established condition level is to have no more than 30 percent of pavement in poor or very poor condition. The latest condition assessment rating showed that the State had 18 percent of its road surfaces in poor or very poor condition, an improvement from the 20 percent condition assessment in calendar year 2008. During fiscal year 2010 the State spent $111.5 million to maintain Idaho's road surfaces. This amount is 22.6 percent ($32.5 million) less than the estimated amount of $144.0 million to maintain Idaho's road surfaces. Actual costs were less than estimated costs due to a decline in road construction costs. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in the notes to the required supplementary information.

Long-Term Debt

Article VIII, Section 1, of the Idaho Constitution, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law, and which have no power to levy taxes or obligate the General Fund of the State, are not debts or liabilities of the State.

Idaho Code, Title 40, addresses the increasing need for timely improvements to Idaho's highway infrastructure.

The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a liability of the State in violation of the Idaho Constitution.

New debt resulted mainly from the Idaho Transportation Department issuing $163.6 million in notes payable for highway projects; colleges and universities issuing revenue bonds of $47.6 million to refund several outstanding bonds and to fund designated projects; and the Idaho Department of Labor issuing $175.4 million in notes payable for unemployment compensation benefits.

Moody's Investors Service has increased the assigned State of Idaho issuer rating from an Aa2 to an Aa1, with a stable outlook. Idaho currently has no general obligation debt outstanding. The State's Tax Anticipation Notes, which carry the faith and credit pledge of the State, are rated MIG 1. The rating for the appropriation-backed lease rental debt issued by the Idaho State Building Authority has increased from an Aa3 to an Aa1, with a stable outlook. The State's conservative debt policies have led to modest state debt levels, falling well below national medians; however, the transportation debt program will increase state debt significantly in the next few years. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

Amid increasing school enrollments, growing Medicaid caseloads, and increasing prison inmate growth, Idaho's economy is experiencing the continuation of a record-setting economic downturn not seen in 75 years. In September 2010 Idaho's unemployment rate was at 9 percent (68,000 jobs), compared to a historically low rate of 2.7 percent in March of 2007 and a historically high rate of 9.6 percent in February 1983. Idaho has posted year-over-year job losses for 30 straight months. In September 2010 Idaho reported 611,400 total jobs. The economy appears to have stopped shedding jobs but has yet to start picking up jobs.

The recession, which began in December 2007, depleted Idaho's unemployment trust fund. Idaho borrowed a total of $202.4 million of no-interest federal money to pay benefits in fiscal years 2009 and 2010.

Idaho's personal income from wages, investment earnings, and other receipts rose nearly a full percentage point during the second quarter of 2010, exceeding $50.0 billion on an annualized basis for the first time since the summer of 2008. The bulk of the increase was in higher Social Security, pension, unemployment, and disability benefits. A modest 0.6 percent increase in wage and salary payments was spread across nearly every sector of the economy.

On February 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009. The Recovery Act's goals are to create new jobs as well as save existing ones and to spur economic activity and investment in long-term economic growth. At September 30, 2010, of the total $825.2 million in recovery funds awarded to Idaho, $327.2 million was still available for future spending, ($125.4 million for education, $113.6 million for economic development, $55.4 million for natural resources, $22.7 million for health and human resources, $8.0 million for public safety, and $2.0 million for general government). Idaho information related to the American Recovery and Reinvestment Act of 2009 can be obtained at http://accountability.idaho.gov.

The Joint Finance and Appropriations Committee estimated a $10.0 million increase in fiscal year 2011 revenue over 2010 revenue. Statewide appropriations for fiscal year 2011 are $5.7 billion compared to 2010 total appropriations of $6.5 billion, a decrease of 12.7 percent ($832.8 million). Even though the Legislature authorized the use of $85.1 million from major reserve funds ($30.8 million from the Budget Stabilization Fund, $5.5 million from the Public Education Stabilization Fund, $48.8 million from the Economic Recovery Reserve Fund), significant reductions were required to the base budgets of state agencies and the public schools to stay within projected revenues. The Tax Commission estimates the amount of uncollected taxes due to be $255.0 million, of which $67.0 million is estimated to be collectible. The Legislature appropriated $3.3 million to restore and enhance collection staff to reduce the tax gap. Additional revenue from this tax compliance initiative is estimated to be $16.4 million for fiscal year 2011.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements

In 1912 the State Auditor was added to the State Board of Land Commissioners. Auditor **S.D. Taylor** served from 1909 to 1913 and became the first State Auditor to serve on the Board.

Pictured – Idaho State Land Board, left to right: Pilot, Governor H.C. Baldridge, Mrs. Rankin, Secretary of State Fred E. Lukens, Attorney General W. D. Gillis, Auditor Edward G. Gallet, and State Land Commissioner Ike H. Nash. Auditor **Edward Gallet** served from 1919 to 1933 for seven two-year terms. A state budget system was instituted in 1922.

Photos Courtesy of the Idaho State Historical Society

Statement of Net Assets
June 30, 2010
(dollars in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$11,702	$155,977	$167,679
Pooled Cash and Investments	903,967	88,237	992,204
Investments	1,178,901	238,127	1,417,028
Securities Lending Collateral	428,974	105,181	534,155
Accounts Receivable, Net	141,422	177,789	319,211
Taxes Receivable, Net	320,622		320,622
Internal Balances	125	(125)	
Due from Other Entities	347,462		347,462
Inventories and Prepaid Items	47,955	22,508	70,463
Due from Primary Government			
Due from Component Unit		70,195	70,195
Loans, Notes, and Pledges Receivable, Net	14,607	304,088	318,695
Deferred Outflows	8,074		8,074
Other Assets	9,653	14,371	24,024
Restricted Assets:			
Cash and Cash Equivalents	101,013	80,760	181,773
Investments	109,335	64,094	173,429
Capital Assets:			
Nondepreciable	4,206,274	195,830	4,402,104
Depreciable, Net	1,396,302	868,511	2,264,813
Total Assets	$9,226,388	$2,385,543	$11,611,931
LIABILITIES			
Accounts Payable	$230,935	$31,299	$262,234
Payroll and Related Liabilities	34,577	38,695	73,272
Medicaid Payable	185,267		185,267
Due to Other Entities	61,695	6,102	67,797
Unearned Revenue	59,036	45,809	104,845
Amounts Held in Trust for Others	9,420	2,205	11,625
Due to Primary Government			
Due to Component Unit		453	453
Obligations Under Securities Lending	428,974	105,181	534,155
Other Accrued Liabilities	52,936	21,203	74,139
Long-Term Liabilities:			
Due Within One Year	155,492	240,567	396,059
Due in More Than One Year	692,400	485,123	1,177,523
Total Liabilities	1,910,732	976,637	2,887,369
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,953,158	610,890	5,564,048
Restricted for:			
Claims and Judgments	83,161		83,161
Debt Service	18,944	553	19,497
Intergovernmental Revenue Sharing	16,455		16,455
Transportation	189,414		189,414
Regulatory	61,179		61,179
Natural Resources and Recreation	106,888	363,719	470,607
Unemployment Compensation		29,771	29,771
Permanent Trust - Expendable	224,511	105,735	330,246
Permanent Trust - Nonexpendable	967,142	67,830	1,034,972
Other Purposes	116,549	37,381	153,930
Unrestricted	578,255	193,027	771,282
Total Net Assets	7,315,656	1,408,906	8,724,562
Total Liabilities and Net Assets	$9,226,388	$2,385,543	$11,611,931

The accompanying notes are an integral part of the financial statements.

Component Units
$34,963
819
1,147,805
24,453
1,930
356,650
1,612,993
64,481
133,104
41,334
3,095
5,713
36,720
$3,464,060
$1,312
573
21,485
36,180
70,195
210,873
139,658
2,442,213
2,922,489
21,347
153,705
105,023
188,398
751
72,347
541,571
$3,464,060

Statement of Activities
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	$548,757	$79,833	$66,934	$209
Public Safety and Correction	320,423	52,805	14,802	
Health and Human Services	2,182,592	101,419	1,660,804	
Education	1,830,608	12,624	464,335	
Economic Development	799,054	239,107	474,160	2,223
Natural Resources	241,508	127,037	254,358	2,228
Interest Expense	45,782			
Total Governmental Activities	5,968,724	612,825	2,935,393	4,660
Business-Type Activities				
College and University	898,012	368,504	271,076	44,094
Unemployment Compensation	331,116	255,278	496	
Loan	9,624	15,027	30,192	
State Lottery	110,204	147,931		
State Liquor	118,022	135,289		
Correctional Industries	6,553	6,091		
Total Business-Type Activities	1,473,531	928,120	301,764	44,094
Total Primary Government	$7,442,255	$1,540,945	$3,237,157	$48,754
Component Units				
Idaho Housing and Finance Association	$203,864	$141,935	$73,402	$958
College and University Foundation	47,986	1,827	78,894	
Petroleum Clean Water Trust Fund	2,070	3,206		
Health Reinsurance	10,863	4,764	1,420	
Bond Bank Authority	8,650	8,662		
Total Component Units	$273,433	$160,394	$153,716	$958
GENERAL REVENUES				
Sales Tax				
Individual and Corporate Taxes				
Fuel Tax				
Other Taxes				
Tobacco Settlement				
Unrestricted Investment Earnings				
Payments from State of Idaho				
Permanent Endowment Contributions				
Transfers				
Total General Revenues, Contributions, and Transfers				
Change in Net Assets				
Net Assets - Beginning of Year, as Restated				
Net Assets - End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
($401,781)		($401,781)	
(252,816)		(252,816)	
(420,369)		(420,369)	
(1,353,649)		(1,353,649)	
(83,564)		(83,564)	
142,115		142,115	
(45,782)		(45,782)	
(2,415,846)		(2,415,846)	
	($214,338)	(214,338)	
	(75,342)	(75,342)	
	35,595	35,595	
	37,727	37,727	
	17,267	17,267	
	(462)	(462)	
	(199,553)	(199,553)	
(2,415,846)	(199,553)	(2,615,399)	
			$12,431
			32,735
			1,136
			(4,679)
			12
			41,635
1,127,013		1,127,013	
1,242,032		1,242,032	
221,142		221,142	
186,130		186,130	
26,120		26,120	
16,800		16,800	
			5,017
			1,632
(206,246)	206,246		
2,612,991	206,246	2,819,237	6,649
197,145	6,693	203,838	48,284
7,118,511	1,402,213	8,520,724	493,287
$7,315,656	$1,408,906	$8,724,562	$541,571

Balance Sheet
Governmental Funds
June 30, 2010
(dollars in thousands)

	General	Health and Welfare	Transportation	Land Endowments
ASSETS				
Cash and Cash Equivalents	$686		$7	
Pooled Cash and Investments	393,969	$7,498	151,120	$2,821
Investments	11,193		41,601	1,043,911
Securities Lending Collateral	229,126	2,929	30,976	102,660
Accounts Receivable, Net	16,690	13,720	5,104	78,333
Taxes Receivable, Net	297,533	131	20,354	
Interfund Receivables	2,710	42	16	
Due from Other Entities	488	246,720	36,951	
Inventories and Prepaid Items	8,235	3,994	22,299	
Loans, Notes, and Pledges Receivable, Net	2,356		1,440	
Other Assets	63	21	223	3,651
Restricted Assets:				
Cash and Cash Equivalents	6,660	8,028	199	
Investments	89,180	3,932		
Total Assets	$1,058,889	$287,015	$310,290	$1,231,376
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$23,431	$27,002	$29,766	$85,045
Payroll and Related Liabilities	10,583	7,190	4,588	
Medicaid Payable		185,267		
Interfund Payables	1,327	435	695	
Due to Other Entities	33,843		27,845	
Deferred Revenue	117,150	43,987	16,452	
Amounts Held in Trust for Others	108	5,645	199	
Obligations Under Securities Lending	229,126	2,929	30,976	102,660
Other Accrued Liabilities	23,133	3,929	10,365	
Total Liabilities	438,701	276,384	120,886	187,705
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	24,039	17,139	23,420	
Inventories and Prepaid Items	8,235	3,994	22,299	
Noncurrent Receivables	2,657			
Permanent Trusts	2,374			875,535
Other Purposes	93,186	7,108		
Unreserved, Reported in:				
General Fund	489,697			
Special Revenue Funds		(17,610)	143,685	
Capital Projects Fund				
Permanent Funds				168,136
Total Fund Balances	620,188	10,631	189,404	1,043,671
Total Liabilities and Fund Balances	$1,058,889	$287,015	$310,290	$1,231,376

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental	Total
$11,009	$11,702
254,496	809,904
40,014	1,136,719
31,874	397,565
27,518	141,365
2,604	320,622
2,290	5,058
63,303	347,462
11,103	45,631
10,711	14,507
767	4,725
69,261	84,148
16,223	109,335
$541,173	$3,428,743
$65,260	$230,504
11,692	34,053
	185,267
3,112	5,569
7	61,695
41,887	219,476
3,468	9,420
31,874	397,565
3,805	41,232
161,105	1,184,781
18,944	18,944
47,831	112,429
11,103	45,631
11,755	14,412
	877,909
52,919	153,213
	489,697
237,506	363,581
10	10
	168,136
380,068	2,243,962
$541,173	$3,428,743

Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2010
(dollars in thousands)

Total Fund Balances - Governmental Funds		$2,243,962
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:		
Land	$1,012,331	
Capital Assets in Progress	1,038,083	
Infrastructure	2,916,113	
Historical Art and Collections	72	
Buildings and Improvements	858,092	
Improvements Other Than Buildings	80,329	
Machinery, Equipment, and Other	387,621	
Accumulated Depreciation	(708,005)	
Total Capital Assets		5,584,636
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		574
Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and, therefore, is deferred in the funds.		173,124
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		138,642
Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets.		4,124
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:		
Capital Leases Payable	(32,558)	
Compensated Absences Payable	(51,220)	
Bonds and Notes Payable	(629,098)	
Accrued Interest on Bonds	(3,450)	
Claims and Judgments	(79,890)	
Other Long-Term Liabilities	(33,190)	
Total Long-Term Liabilities		(829,406)
Net Assets - Governmental Activities		$7,315,656

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	General	Health and Welfare	Transportation	Land Endowments
REVENUES				
Sales Tax	$1,117,584			
Individual and Corporate Taxes	1,228,463			
Other Taxes	53,068	$14,395	$220,302	
Licenses, Permits, and Fees	19,019	7,140	117,179	
Sale of Goods and Services	8,695	97,949	6,402	$48,024
Grants and Contributions	3,300	1,688,850	370,728	
Investment Income	24,017	1,355	3,822	145,897
Tobacco Settlement	25,990			
Other Income	31,171	3,030	5,494	
Total Revenues	2,511,307	1,812,719	723,927	193,921
EXPENDITURES				
Current:				
General Government	159,031			
Public Safety and Correction	222,120			
Health and Human Services	41,112	2,160,426		
Education	1,357,863			
Economic Development	25,914		174,887	
Natural Resources	28,174			27,525
Capital Outlay	92,251	21,609	352,891	363
Intergovernmental Revenue Sharing	178,774	68,038	133,047	
Debt Service:				
Principal Retirement	918		8,177	
Interest and Other Charges	14,379	4	19,153	
Total Expenditures	2,120,536	2,250,077	688,155	27,888
Revenues Over (Under) Expenditures	390,771	(437,358)	35,772	166,033
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions	22,580			
Sale of Capital Assets	178	5	12,453	9
Transfers In	164,485	427,024		
Transfers Out	(705,842)	(237)	(15,386)	(45,955)
Total Other Financing Sources (Uses)	(518,599)	426,792	(2,933)	(45,946)
Net Changes in Fund Balances	(127,828)	(10,566)	32,839	120,087
Fund Balances - Beginning of Year, as Restated	748,016	21,197	156,565	923,584
Fund Balances - End of Year	$620,188	$10,631	$189,404	$1,043,671

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental	Total
$4,800	$1,122,384
	1,228,463
122,159	409,924
131,680	275,018
67,150	228,220
745,429	2,808,307
16,505	191,596
	25,990
38,870	78,565
1,126,593	6,368,467
49,753	208,784
62,337	284,457
	2,201,538
452,413	1,810,276
215,975	416,776
158,592	214,291
209,983	677,097
79,857	459,716
24,127	33,222
13,112	46,648
1,266,149	6,352,805
(139,556)	15,662
163,562	163,562
1,165	23,745
791	13,436
39,054	630,563
(69,540)	(836,960)
135,032	(5,654)
(4,524)	10,008
384,592	2,233,954
$380,068	$2,243,962

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2010

(dollars in thousands)

Net Change in Fund Balances - Governmental Funds		$10,008
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:		
Capital Outlay	$391,378	
Depreciation Expense	(65,024)	
		326,354
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.		(18,374)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		549
The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year the following debt was incurred:		
Bonds and Notes	(163,562)	
Capital Leases	(23,745)	
		(187,307)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:		
Bond and Note Principal	31,511	
Bond Issue Costs	(421)	
Capital Leases	1,710	
		32,800
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Assets. In the current year these amounts consisted of:		
Accrued Interest and Amortization	1,027	
Compensated Absences	2,955	
Claims and Judgments	33,045	
Other Long-Term Liabilities	(10,111)	
		26,916
Internal service funds are reported separately from governmental funds in the funds statements. In the government-wide statements, internal service funds are included with governmental activities.		6,199
Change in Net Assets - Governmental Activities		$197,145

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets
Proprietary Funds
June 30, 2010
(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	$111,177	$40,489	$687	$3,624
Pooled Cash and Investments	46,474	8,456	11,818	21,489
Investments	31,974			
Securities Lending Collateral		57,981	47,200	
Accounts Receivable, Net	61,054	113,419	583	2,733
Interfund Receivables	2,144			161
Inventories and Prepaid Items	8,511			13,997
Due from Component Unit	2,365			
Loans, Notes, and Pledges Receivable, Net	3,728		10,549	
Other Current Assets	719		4,718	
Total Current Assets	268,146	220,345	75,555	42,004
Noncurrent Assets				
Restricted Cash and Cash Equivalents	20,888		22,847	37,025
Investments	128,283	77,870		
Restricted Investments	704		63,390	
Due from Component Unit	67,830			
Loans, Notes, and Pledges Receivable, Net	22,095		267,716	
Other Noncurrent Assets	8,929			5
Capital Assets, Net	1,021,449		33,359	9,533
Total Noncurrent Assets	1,270,178	77,870	387,312	46,563
Total Assets	$1,538,324	$298,215	$462,867	$88,567
LIABILITIES				
Current Liabilities				
Accounts Payable	$21,833			$9,466
Payroll and Related Liabilities	38,090			605
Interfund Payables	2,423			7
Due to Other Entities			$11	6,091
Unearned Revenue	28,036		17,773	
Amounts Held in Trust for Others	2,205			
Due to Component Unit	453			
Obligations Under Securities Lending		$57,981	47,200	
Other Accrued Liabilities	9,252	8,061	252	3,638
Capital Leases Payable	114			49
Capital Leases Payable to Component Unit	295			
Compensated Absences Payable	20,169			713
Bonds and Notes Payable	16,465	202,402	360	
Policy Claim Liabilities				
Total Current Liabilities	139,335	268,444	65,596	20,569
Noncurrent Liabilities				
Capital Leases Payable	271			34
Capital Leases Payable to Component Unit	2,082			
Bonds and Notes Payable	466,854		3,720	
Policy Claim Liabilities				
Other Long-Term Obligations	11,840			322
Total Noncurrent Liabilities	481,047		3,720	356
Total Liabilities	620,382	268,444	69,316	20,925
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	572,161		29,279	9,450
Restricted for:				
Claims and Judgments				
Debt Service			553	
Permanent Trust - Expendable	105,735			
Permanent Trust - Nonexpendable	67,830			
Other Purposes				37,381
Unrestricted	172,216	29,771	363,719	20,811
Total Net Assets	917,942	29,771	393,551	67,642
Total Liabilities and Net Assets	$1,538,324	$298,215	$462,867	$88,567

The accompanying notes are an integral part of the financial statements.

Total	Governmental Activities Internal Service Funds
$155,977	
88,237	$94,063
31,974	
105,181	31,409
177,789	66
2,305	643
22,508	2,324
2,365	
14,277	26
5,437	227
606,050	128,758
80,760	16,865
206,153	42,182
64,094	
67,830	
289,811	74
8,934	3
1,064,341	17,940
1,781,923	77,064
$2,387,973	$205,822
$31,299	$458
38,695	524
2,430	7
6,102	
45,809	12,666
2,205	
453	
105,181	31,409
21,203	180
163	274
295	
20,882	776
219,227	127
	8,033
493,944	54,454
305	397
2,082	
470,574	3,207
	8,923
12,162	199
485,123	12,726
979,067	67,180
610,890	13,935
	83,161
553	
105,735	
67,830	
37,381	
586,517	41,546
1,408,906	138,642
$2,387,973	$205,822

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		$252,847		
Licenses, Permits, and Fees	$304,264		$842	
Scholarship Allowances	(62,529)			
Sale of Goods and Services	112,699		1,975	$288,912
Grants and Contributions	146,529	496	30,192	
Other Income	7,671		162	118
Total Operating Revenues	508,634	253,343	33,171	289,030
OPERATING EXPENSES				
Personnel Costs	544,446			15,517
Services and Supplies	197,832		1,653	100,257
Benefits, Awards, and Premiums	69,656	331,110		88,276
Depreciation	54,513		209	863
Other Expenses	12,042	6		4,013
Total Operating Expenses	878,489	331,116	1,862	208,926
Operating Income (Loss)	(369,855)	(77,773)	31,309	80,104
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	124,547			
Investment Income	10,670	2,431	12,048	285
Interest Expense	(19,075)		(315)	(2)
Intergovernmental Distributions			(7,447)	(25,851)
Gain (Loss) on Sale of Capital Assets	(448)			2
Other Nonoperating Revenues (Expenses)	(4,271)			(6)
Total Nonoperating Revenues (Expenses)	111,423	2,431	4,286	(25,572)
Income (Loss) Before Contributions and Transfers	(258,432)	(75,342)	35,595	54,532
Capital Contributions	44,094			
Transfers In	266,288			
Transfers Out		(7,573)	(425)	(52,044)
Change in Net Assets	51,950	(82,915)	35,170	2,488
Total Net Assets - Beginning of Year, as Restated	865,992	112,686	358,381	65,154
Total Net Assets - End of Year	$917,942	$29,771	$393,551	$67,642

The accompanying notes are an integral part of the financial statements.

Governmental Activities	
Total	Internal Service Funds
$252,847	
305,106	
(62,529)	
403,586	$244,670
177,217	2,067
7,951	418
1,084,178	247,155
559,963	12,071
299,742	18,556
489,042	198,360
55,585	2,057
16,061	2,457
1,420,393	233,501
(336,215)	13,654
124,547	
25,434	4,050
(19,392)	(261)
(33,298)	
(446)	
(4,277)	
92,568	3,789
(243,647)	17,443
44,094	
266,288	1,831
(60,042)	(1,680)
6,693	17,594
1,402,213	121,048
$1,408,906	$138,642

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		$206,089
Receipts from Customers	$353,460	
Receipts for Interfund Services		
Receipts from Grants and Contributions	146,209	496
Payments to Suppliers	(204,461)	
Payments to Employees	(535,655)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(67,215)	(334,626)
Other Receipts (Payments)	545	
Net Cash Provided (Used) by Operating Activities	(307,117)	(128,041)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	121,530	
Intergovernmental Distributions		
Transfers In	266,288	
Transfers Out		(7,573)
Proceeds from Bonds, Notes, and Loans	245,624	175,429
Repayment of Bonds, Notes, and Loans	(246,007)	
Interest Payments		
Net Cash Provided (Used) by Noncapital Financing Activities	387,435	167,856
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	24,019	
Bonds Issued	56,344	
Payment of Bonds and Notes	(40,579)	
Interest Payments	(18,941)	
Capital Lease Payments		
Proceeds from Disposition of Capital Assets	822	
Acquisition and Construction of Capital Assets	(103,130)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(81,465)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	4,929	142
Purchase of Investments	(215,861)	
Redemption of Investments	219,399	
Other Investing Activities		
Net Cash Provided (Used) by Investing Activities	8,467	142
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	7,320	39,957
Beginning Cash, Cash Equivalents, and Pooled Cash	171,219	8,988
Ending Cash, Cash Equivalents, and Pooled Cash	$178,539	$48,945
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	($369,855)	($77,773)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	54,513	
Maintenance Costs Paid by Department of Public Works	2,126	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(5,592)	(53,185)
Inventories and Prepaid Items	(1,425)	
Notes Receivable	376	
Other Assets	6,259	
Accounts Payable/Interfund Payables	(1,691)	
Unearned Revenue		
Compensated Absences	11	
Policy Claim Liabilities		
Other Accrued Liabilities	8,161	2,917
Net Cash Provided (Used) by Operating Activities	($307,117)	($128,041)

Noncash Transactions (dollars in thousands):

Investments increased in fair value by $5,619 for colleges and universities, $2,289 for Unemployment Compensation, $1,865 for the Loan fund, and $1,257 for internal service funds. Colleges and universities acquired capital assets through donation in the amount of $3,368 and through state transfers in the amount of $16,667, disposed of capital assets at a loss of $5,916, deposited $10,707 in proceeds from capital debt to escrow, and defeased $10,415 in capital debt. The Loan fund forgave loans in the amount of $7,447. Nonmajor enterprise funds disposed of capital assets at a loss of $6. Internal service funds acquired capital assets of $20 through capital lease, disposed of capital assets at a loss of $5, and recognized $5 in deferred revenue as a gain on sale of capital assets as part of a sale-leaseback agreement.

The accompanying notes are an integral part of the financial statements.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		$206,089	
$1,988	$285,356	640,804	$1,635
	3,363	3,363	242,846
30,192		176,897	2,067
(1,774)	(97,597)	(303,832)	(18,087)
	(15,592)	(551,247)	(11,967)
(17)	(3,725)	(3,742)	(2,472)
	(87,715)	(489,556)	(201,157)
162		707	
30,551	84,090	(320,517)	12,865
		121,530	
	(24,429)	(24,429)	
		266,288	1,831
(425)	(52,044)	(60,042)	(1,680)
		421,053	
		(246,007)	
(259)		(259)	
(684)	(76,473)	478,134	151
		24,019	
		56,344	
(2,014)	(48)	(42,641)	(134)
	(2)	(18,943)	(228)
			(338)
		822	
	(1,861)	(104,991)	(824)
(2,014)	(1,911)	(85,390)	(1,524)
9,631	285	14,987	2,796
(53,876)		(269,737)	(1,398)
14,556		233,955	41
(74)		(74)	(47)
(29,763)	285	(20,869)	1,392
(1,910)	5,991	51,358	12,884
37,262	56,147	273,616	98,044
$35,352	$62,138	$324,974	$110,928
$31,309	$80,104	($336,215)	$13,654
209	863	55,585	2,057
		2,126	
(127)	(303)	(59,207)	(161)
	168	(1,257)	534
		376	
(1)	(30)	6,228	(2)
(139)	2,973	1,143	(88)
(700)	(9)	(709)	(447)
	(12)	(1)	64
			(2,797)
	336	11,414	51
$30,551	$84,090	($320,517)	$12,865

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash and Cash Equivalents	$1,386		$227	$5,452
Pooled Cash and Investments	1,765			23,841
Investments:				
Pooled Short Term	366,742	$135,325	9,088	
Fixed Income Investments	2,631,571	893,377		242,005
Marketable Securities	5,777,456			
Mutual Funds and Private Equities	1,230,659		151,670	
Mortgages and Real Estate	798,700	66,666		
Other Investments	4,023		7,623	
Securities Lending Collateral		761,607		
Receivables:				
Investments Sold	1,154,512			
Contributions	4,416			
Interest and Dividends	41,879	1,531	53	
Interfund Receivables	1,638			
Other Receivables	151			
Other Assets	43,919			
Capital Assets, Net	2,287			
Total Assets	12,061,104	1,858,506	168,661	$271,298
LIABILITIES				
Accounts Payable	993	63	110	
Payroll and Related Liabilities				$1,934
Interfund Payables	1,638			
Due to Other Entities				576
Amounts Held in Trust for Others				267,999
Obligations Under Securities Lending		761,607		
Investments Purchased	1,356,947		48	
Other Accrued Liabilities	8,918	645		789
Total Liabilities	1,368,496	762,315	158	$271,298
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	10,471,996			
Postemployment Healthcare Benefits	220,612			
External Investment Pool Participants		1,096,191		
Trust Beneficiaries			168,503	
Total Net Assets	$10,692,608	$1,096,191	$168,503	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	$221,670		
Employer	318,643		
Transfers In from Other Plans	13,576		
Participant Deposits		$2,418,622	$31,245
Total Contributions	553,889	2,418,622	31,245
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	938,359	2,666	10,227
Interest, Dividends, and Other	263,099	8,101	4,019
Securities Lending Income	57	2,359	
Less Investment Expense:			
Investment Activity Expense	(44,019)	(679)	
Securities Lending Interest Expense	(44)	(2,215)	
Net Investment Income	1,157,452	10,232	14,246
Miscellaneous Income	1,651		
Total Additions	1,712,992	2,428,854	45,491
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	598,723		
Transfers Out to Other Plans	8,884		
Administrative Expense	6,704		965
Earnings Distribution		6,895	
Participant Withdrawals	9,105	2,911,837	15,451
Total Deductions	623,416	2,918,732	16,416
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	1,058,143		
Employee Postemployment Healthcare Benefits	31,433		
External Investment Pool Participants		(489,878)	
Trust Beneficiaries			29,075
Net Assets - Beginning of Year, as Restated	9,603,032	1,586,069	139,428
Net Assets - End of Year	$10,692,608	$1,096,191	$168,503

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets
Component Units
June 30, 2010
(dollars in thousands)

	Component Units			
	Idaho Housing and Finance Association	**College and University Foundation**	**Petroleum Clean Water Trust**	**Health Reinsurance**
ASSETS				
Cash and Cash Equivalents	$11,139	$21,344		$2,454
Pooled Cash and Investments			$819	
Investments	769,854	326,787	32,161	19,003
Accounts Receivable, Net	23,862	41	419	131
Inventories and Prepaid Items	1,545	2		383
Due from Primary Government	353,820	2,830		
Loans, Notes, and Pledges Receivable, Net	1,384,999	27,094		
Deferred Outflows	64,481			
Other Assets	121,759	4,567	290	292
Restricted Assets:				
Cash and Cash Equivalents	24,843	16,491		
Investments		3,095		
Capital Assets:				
Nondepreciable	5,700	13		
Depreciable, Net	36,615	105		
Total Assets	$2,798,617	$402,369	$33,689	$22,263
LIABILITIES				
Accounts Payable	$611	$699		$2
Payroll and Related Liabilities	573			
Unearned Revenue		3,243		18,242
Amounts Held in Trust for Others	21,285	14,895		
Due to Primary Government		70,195		
Other Accrued Liabilities	207,164	836	$146	191
Long-Term Liabilities:				
Due Within One Year	128,619	445	1,771	3,828
Due in More Than One Year	2,220,995	16,693	4,960	
Total Liabilities	2,579,247	107,006	6,877	22,263
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	21,229	118		
Restricted for:				
Debt Service	153,705			
Permanent Trust - Expendable		105,023		
Permanent Trust - Nonexpendable		188,398		
Other Purposes	751			
Unrestricted	43,685	1,824	26,812	
Total Net Assets	219,370	295,363	26,812	
Total Liabilities and Net Assets	$2,798,617	$402,369	$33,689	$22,263

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Total
$26	$34,963
	819
	1,147,805
	24,453
	1,930
	356,650
200,900	1,612,993
	64,481
6,196	133,104
	41,334
	3,095
	5,713
	36,720
$207,122	$3,464,060
	$1,312
	573
	21,485
	36,180
	70,195
$2,536	210,873
4,995	139,658
199,565	2,442,213
207,096	2,922,489
	21,347
	153,705
	105,023
	188,398
	751
26	72,347
26	541,571
$207,122	$3,464,060

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Component Units
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
EXPENSES				
Personnel Costs	$8,417	$2,041		
Services and Supplies	12,004	4,453	$1,533	$357
Benefits, Awards, and Premiums	72,561	40,342	537	10,486
Interest Expense	101,993	471		20
Depreciation	2,791	14		
Other Expenses	6,098	665		
Total Expenses	203,864	47,986	2,070	10,863
PROGRAM REVENUES				
Charges for Services:				
Licenses, Permits, and Fees	14,059		2,165	
Sale of Goods and Services	4,240	272		4,408
Investment Income	120,159		1,041	356
Other Income	3,477	1,555		
Operating Grants and Contributions	73,402	78,894		1,420
Total Program Revenues	215,337	80,721	3,206	6,184
Net Revenues (Expenses)	11,473	32,735	1,136	(4,679)
GENERAL REVENUES				
Payments from State of Idaho		338		4,679
Total General Revenues		338		4,679
Capital Contributions	958			
Contributions to Permanent Endowments		1,632		
Change in Net Assets	12,431	34,705	1,136	
Net Assets - Beginning of Year, as Restated	206,939	260,658	25,676	
Net Assets - End of Year	$219,370	$295,363	$26,812	

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Total
	$10,458
	18,347
	123,926
$8,607	111,091
	2,805
43	6,806
8,650	273,433
40	16,264
	8,920
8,607	130,163
15	5,047
	153,716
8,662	314,110
12	40,677
	5,017
	5,017
	958
	1,632
12	48,284
14	493,287
$26	$541,571

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

During fiscal year 2010, the State implemented the following GASB Statements:

- Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*

The financial statements are presented for the fiscal year ended June 30, 2010, except for the Idaho State Bar and the Idaho Dairy Products Commission (nonmajor special revenue funds); the Petroleum Clean Water Trust Fund, The Housing Company (THC), the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units); and the State of Idaho Public Employees' Deferred Compensation Plan (pension trust fund); whose statements are for the fiscal year ended December 31, 2009. The Idaho Potato Commission (nonmajor special revenue fund) has a fiscal year that ended August 31, 2009.

A. Reporting Entity

The State of Idaho is governed under the Idaho Constitution of 1890, as amended. Legislative power is vested in a 35-member Senate and a 70-member House of Representatives. Executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction. Judicial power is vested in the Idaho Supreme Court, Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities for which the State does not appoint a voting majority of the governing body, inclusion of the entity is required if the organization is fiscally dependent on the State. Component units also include legally separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the primary government and blended into the appropriate funds.

The *Idaho State Building Authority* was created by Idaho Code, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship. The Authority provides services to the State of Idaho and some community colleges. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column on the government-wide statements to emphasize that they are legally separate from the primary government. The State's discretely presented component units are as follows:

The *Idaho Housing and Finance Association* fund includes the Association and its component unit, THC, which was established to support the function and activities of the Association. The Association was created by Idaho Code, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income and for facilitating the issuance of bonds or notes to finance projects for transportation infrastructure of the primary government. The Association is authorized to enter into agreements with the Idaho Transportation Department to facilitate transportation projects, including issuing bonds, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members.

The *College and University Foundation* fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting

donations in support of the growth and development of the colleges' and universities' programs and activities. Gifts and contributions are held, protected, managed, and invested for the exclusive benefit of the respective colleges and universities.

The *Petroleum Clean Water Trust* fund was created by Idaho Code, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Fund is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the Fund's annual budget and thereby has the ability to impose its will on the Fund.

The *Health Reinsurance* fund includes the Idaho Individual High Risk Reinsurance Pool created by Idaho Code, Section 41-5502; and the Idaho Small Employer Health Reinsurance Program created by Idaho Code, Section 41-4711. Both the Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience. The Pool and Program provide a safety net to carriers in the form of a risk pool and reinsurance mechanism to facilitate the guaranteed issue of standardized state-approved health benefit plans. Both the Pool and the Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. The Pool is partially funded through state premium tax revenue creating a financial burden for the State.

The *Idaho Bond Bank Authority* was created by Idaho Code, Section 67-8703, authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five-member board, of which two members are appointed by the Governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority
755 West Front Street, Suite 200
Boise, ID 83702

Idaho Housing and Finance Association
565 West Myrtle
P.O. Box 7899
Boise, ID 83707-1899

The Housing Company
P.O. Box 7899
Boise, ID 83707-1899

Boise State University Foundation, Inc.
2225 University Drive
Boise, ID 83706

Eastern Idaho Technical College Foundation, Inc.
1600 South 25th East
Idaho Falls, ID 83404

Idaho State University Foundation, Inc.
921 South 8th Avenue
Campus Box 8050
Pocatello, ID 83209

Lewis-Clark State College Foundation, Inc.
Controller's Office
500 8th Avenue
Lewiston, ID 83501

University of Idaho Foundation, Inc.
714 West State Street, Suite 240
Boise, ID 83702

Idaho Petroleum Clean Water Trust Fund
1215 West State Street
P.O. Box 83720
Boise, ID 83720-0044

Idaho Individual High Risk Reinsurance Pool
Idaho Small Employer Health Reinsurance Program
3449 Copper Point Drive
Meridian, ID 83642

Idaho Bond Bank Authority
State Treasurer's Office
P.O. Box 83720
Boise, ID 83720-0091

Related Organizations

The *State Insurance Fund*, created by Idaho Code, Section 72-901; and the *Health Facilities Authority*, created by Idaho Code, Section 39-1444; are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The *Statement of Net Assets* and *Statement of Activities* report information on nonfiduciary activities of the

primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Assets* presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when third parties, constitutional provisions, or enabling legislation impose constraints on net asset use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

The *Statement of Activities* demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

Fund Statements

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for administration, construction, and maintenance of the state highway and aviation systems.

The *Land Endowments* fund manages and invests the revenues generated from the sale or lease of lands granted from the federal government under the Idaho Admission Act.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to make improvements to irrigation, wastewater, and drinking water systems.

Additionally the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for specific revenue sources that are restricted to expenditures for specified purposes.

The *capital projects fund* accounts for revenues designated to finance construction of transportation infrastructure.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Fiduciary Fund Types

Pension (and other employee benefits) trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, deferred compensation plan, and other employee benefits. Complete financial statements of the State of Idaho Public Employees' Deferred Compensation Plan may be obtained by writing to the Idaho Secretary of State's Office, Attn: Chairman Ben Ysursa, P.O. Box 83720, Boise, ID 83720-0080.

Investment trust funds account for external participants' investments with the State's Local Government Investment Pool and Diversified Bond Fund.

The *private-purpose trust fund* accounts for resources held in trust by the Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to Idaho College Savings Program, P.O. Box 55253, Boston, MA 02205-5253.

Agency funds account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies as well as employee payroll deductions.

Operating and Nonoperating Revenues and Expenses of Proprietary Funds

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions generally occur if they directly result from the provision of goods or services to customers or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Agency funds report only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Reimbursements are eliminated in the government-wide Statement of Activities to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include payments for maintenance and construction projects, federal grant pass-throughs from one state agency to another, insurance premiums, technical services, and the allocation of central human resource costs to all agencies.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The State has elected not to apply FASB pronouncements issued after November 30, 1989, for business-type activities.

The foundations of Boise State University (BSU), Eastern Idaho Technical College (EITC), and Idaho State University (ISU), and THC issue financial statements using FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* The financial statements and note disclosures of these foundations and THC have been reformatted to comply with GASB requirements.

D. Assets and Liabilities

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money markets; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the date of acquisition.

Pooled Cash and Investments

Cash balances of most funds are deposited with the State Treasurer's Office (STO). Balances not required to meet immediate needs are pooled in an internal investment pool. Idaho Code, Sections 67-2725 through 67-2749 and Sections 67-1210 and 67-1210A, govern STO deposit and investment policies for the pooled balances. See Note 2 for more information.

Investments

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency funds. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost. The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the Land Endowments fund are permitted to make investments in accordance with the Idaho Uniform Prudent Investor Act, Sections 68-501 through 68-514, of the Idaho Code. See Note 2 for more information.

Securities Lending Collateral

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Notes 2 and 3 for more information.

Receivables, Net

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of health and transportation federal grants and fuel taxes. Proprietary fund receivables consist mainly of loans, unemployment assessments, and student tuition and fees. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements. See Note 5 for more information on noncurrent receivables.

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivable and payable balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market value, generally using the first-in, first-out method. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Inventory and prepaid expenses are accounted for using the consumption method.

Deferred Outflows

Deferred outflows are the changes in fair value of the hedged derivative instruments to be recognized in a future period. At the time that the instrument is terminated, the amount will be reported as investment income. See Note 2 for more information.

Other Assets

Other assets include interest receivable and other miscellaneous items.

Restricted Assets

Assets are reported as restricted when restrictions on asset use are imposed by constitutional provisions, enabling legislation, or external parties; and the constraints change the nature or normal understanding of the availability of the asset.

Capital Assets, Net

Capital assets include land, improvements to land, land use rights, buildings, improvements to buildings, machinery, equipment, software, historical art and collections, capital assets in progress, all infrastructure regardless of acquisition date, and other tangible or intangible assets used in operations. Tangible assets with a value of $5,000 or more ($200,000 or more for intangible assets) and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's functionality or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for enterprise funds.

Capital assets are reported at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparable assets indexed forward or backward with the Consumer Price Index. Donated capital assets are reported at their estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is reported at one dollar per acre.

Capital assets are depreciated or amortized with the exception of roads, rights-of-way, land, capital assets in progress, historical art and collections, and certain intangible assets with an indefinite useful life. For all depreciable major asset classes, depreciation and amortization are calculated on a straight-line basis over their estimated useful lives, as follows:

Assets	Years
Buildings and Improvements to Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Infrastructure – Bridges	75
Infrastructure – Other	30 - 50

Roads and rights-of-way are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The Idaho Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, state capitol-related artifacts, furnishings, films, statues, and monuments. Some of the State's historical art and collections have not been capitalized because they are preserved and protected for public display, education, or research. The proceeds from the sales of collection items are used to acquire other items for the collection. Historical art and collections already capitalized at June 30, 1999, have remained capitalized even if they meet the conditions for exemption from capitalization.

Intangible assets acquired in fiscal years ending after June 30, 1980, and not previously capitalized, are retroactively reported as of July 1, 2009. Some intangible assets with indefinite useful lives as of July 1, 2009, and some internally generated intangible assets created prior to or in progress as of July 1, 2009, were retroactively reported if appropriate historical costs were determinable.

See Note 6 for more information on capital assets.

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments and vendor obligations.

Payables in the special revenue funds relate primarily to vendor obligations, fuel taxes to be distributed to local governments, and Medicaid. Medicaid Payable includes the amount the State expects to pay within 60 days of fiscal year end. The remaining amount, estimated Medicaid claims expected to be presented within the next year, is reported as Claims and Judgments within the Long-Term Liabilities due within one year on the government-wide Statement of Net Assets. Proprietary fund payables consist mostly of payroll liabilities, unemployment compensation, and vendor obligations. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho.

Unearned/Deferred Revenue

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

Amounts Held in Trust for Others

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally the owner may default on the conditions; at that time, the asset held in trust becomes the property of the State and revenue is recorded.

Obligations Under Securities Lending

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Notes 2 and 3 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of construction and infrastructure expenses, interest payable, and other miscellaneous liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities include the following:

Bonds and Notes Payable consists of bonds and notes issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 for more information.

Capital Leases Payable consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State. See Note 10 for more information.

Claims and Judgments are payables on behalf of the State and its agencies for various legal proceedings and claims. See Note 12 for more information.

Compensated Absences Payable includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance. See Note 12 for more information.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated. See Notes 9 and 12 for more information.

Other Long-Term Liabilities consists of a net pension obligation, net other postemployment benefits obligation, and an arbitrage rebate liability. See Notes 7, 8, and 12 for more information.

E. Equity

Equity represents the difference between assets and liabilities. Governmental fund equity is called fund balance; government-wide, proprietary, and fiduciary fund equity are called net assets. Reserved fund balance and restricted net assets identify equity that is not available for appropriation, for expenditures, or is legally segregated for a specific future use.

F. Newly Issued Accounting Pronouncements

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The definitions of the General Fund, special revenue, capital projects, debt service, and permanent fund types are clarified by the provisions in this Statement. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2011.

The GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement addresses issues related to the use of the alternative measurement method and the

frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2012.

The GASB issued Statement No. 59, *Financial Instruments Omnibus*. This Statement updates existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2011.

NOTE 2. DEPOSITS, INVESTMENTS, DERIVATIVE INSTRUMENTS, AND RESTRICTED ASSETS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions. Legal provisions regarding deposits are found throughout Idaho Code, Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all moneys except for the following: the Idaho Bond Bank Authority, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the college and university foundations, the Idaho State Building Authority, some of the endowment fund accounts, the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the colleges' and universities' accounts, Idaho Public Employees' Deferred Compensation Plan, and some of the Public Employee Retirement System of Idaho accounts. In accordance with Idaho Code, Sections 67-1210 and 67-1210A, the STO invests the pooled cash not needed to meet immediate obligations in various types of investments. The pool balances are available on demand to the participants. Interest received on the pooled cash and investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds. The weighted average maturity of the pooled cash and investments held by the STO was 225 days.

Custodial credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State does not have a formal policy to address custodial credit risk.

Custodial Credit Risk at June 30, 2010

(dollars in thousands)

	Governmental and Business-Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	$239,230	$7,809	$73,216
Uninsured and Uncollateralized Deposits	55,258	2,850	5,210
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	14,515		
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			22,524

B. Investments

General Investment Policies

The Idaho Uniform Prudent Investor Act, Idaho Code, Sections 68-501 through 68-514, stipulates the standard to be followed by state investment personnel. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with Idaho Code, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued as described in Note 1.

Types of Investments

Idaho Code, Section 67-1210, authorizes the STO and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971; obligations issued by the Federal National Mortgage Association and the Federal Home Loan Bank; and obligations issued or guaranteed by other agencies or instrumentalities of Idaho or of the United States, including the U.S. Small Business Administration guaranteed portion of any approved loan by an Idaho banking corporation and by the STO
- Obligations issued by public corporations of the State
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories, state and federal savings and loan associations, or state and federal credit unions located within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions
- Money market funds whose portfolios consist of investments specified in this section and are denominated in U.S. dollars

Idaho Code, Section 67-1210A, authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Bonds, notes, and debentures of any U.S. corporation with at least an A rating by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

The Endowment Fund Investment Board (EFIB) manages investments of Idaho's permanent fund, the Land Endowments fund. Idaho Code, Section 57-720, gives the EFIB the authority to formulate investment policies of the permanent endowment fund and earnings reserve funds. Idaho Code, Section 57-723, stipulates that the EFIB and its investment managers are governed by the Idaho Uniform Prudent Investor Act and the Idaho Constitution. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Domestic equities and high-yield bonds
- International equities
- Collateralized mortgage obligations
- Fixed-income securities with a minimum Baa rating by Moody's or equivalent rating, Yankee bonds with a minimum A rating, equity-linked debt with a minimum rating of A, pass-through mortgage-backed securities with a minimum Aaa or equivalent rating

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established a Statement of Investment Policy in accordance with Idaho Code, Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the EFIB, the following types of investments are approved for PERSI funds:

- Derivative instruments, specifically, futures, options, swaps, repurchase agreements, and forward foreign currency contracts by a few selected managers
- Private equity real estate investments in open-end and closed-end commingled real estate funds, direct real estate, publicly traded real estate investment trusts and other public real estate companies, private real estate companies, and real estate operating venture entities
- Alternative investments upon the recommendation of a qualified consultant after due diligence and with approval by the Board or subcommittee appointed by the Board

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the value of investments or collateral securities that are in the possession of an outside party will not be recovered. The State does not have a formal policy to address custodial credit risk. The following describes the policies and risks for those state entities that are exposed to custodial credit risk:

- The Idaho Workers' Compensation Law, Idaho Code Title 72, requires sureties to maintain a security deposit with the Idaho State Treasurer in order to write workers' compensation insurance or to be self insured. The amount of sureties that are held by the bank, in the name of the insurance company and subject to custodial credit risk was $242.0 million.
- The Judges' Retirement fund had $12.4 million of government agency securities, $0.6 million of foreign agency securities, $3.3 million of corporate bonds, $0.5 million of mortgage-backed securities, and $35.9 million of equity securities held by the broker-dealer, not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.
- The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments be registered in the name of the PERSI and be delivered to a third party custodian. Short-term investments are created through daily sweeps of excess cash. The PERSI had various short-term investments of $49.4 million held by various counterparties, not in the PERSI's name.
- The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. The Foundation held $4.4 million of U.S. Treasury bonds, $23.2 million of corporate bonds, $18.5 million of bond mutual funds, $32.7 million of equity mutual funds, and $1.7 million of private equity funds that were uninsured and held in the name of the broker.
- The University of Idaho Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and further to the extent possible, be held in the Foundation's name. The Foundation held $12.2 million of government agency securities, $30.8 million of corporate debt, $2.9 million of preferred stock, $1.0 million of municipal securities, $23.7 million of U.S. Treasuries, $89.9 million of common stock, $3.2 million of international equity funds, $3.6 million of private equities, and $0.6 million of foreign currency that were held in the name of the counterparty for benefit of the Foundation.

Interest Rate Risk of Debt Securities

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. All investment managers are governed by the Idaho Uniform Prudent Investor Act as detailed in Idaho Code, Sections 68-501 through 68-514. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Barclays Capital Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities.
- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI fixed-income portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the Endowment Funds interest rate risk quantifies the interest rate risk of the PERSI fixed-income assets. Some of the large durations are due to the use of options and forward foreign currency contracts.
- The Idaho Housing and Finance Association has adopted bond indentures, bond resolutions, and trust resolutions that provide investment maturities be based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers. The Association's investment maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2010.

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2010
(Except Endowment Funds, PERSI, Idaho College Savings Program, and Deferred Compensation Plan)
(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	Total Fair Value
Debt Securities:								
Money Market Funds	$1,008,667							$1,008,667
Certificates of Deposit	7,930	$125						8,055
Commercial Paper	64,984							64,984
U.S. Government Obligations	304,027	81,433	$24,186			$31		409,677
U.S. Gov't Agency Obligations	790,611	108,840	29,327	$851	$49	6,605	$23,135	959,418
U.S. Gov't Agency Mortgage-Backed Securities*	5,654	250,554	21,745					277,953
U.S. Gov't Corporation Mortgage-Backed Securities*	1,726	27,440						29,166
Asset-Backed Securities*	385	2,097						2,482
Commercial Mortgages*		7,384	9,527					16,911
Corporate Obligations	56,094	32,436	8,012			1,046	437	98,025
Municipal and Public Entity Obligations	28,701	44						28,745
Bond Mutual Funds and Other Pooled Fixed-Income Securities	88,916							88,916
Foreign Agency Obligations		304	243					547
Idaho Small Business Loans	14	688	712		594			2,008
External Investment Pools	107,270							107,270
Total Debt Securities	2,464,979	511,345	93,752	851	643	7,682	23,572	3,102,824
Reinvestment of Securities Lending Collateral:								
Money Market Funds	129,145							129,145
Repurchase Agreements	720,400							720,400
Commercial Paper	148,956							148,956
Asset-Backed Securities*		21,205						21,205
Commercial Mortgages*	5,973							5,973
Corporate Obligations	85,047	82,377						167,424
Total Debt Securities and Reinvestment of Securities Lending Collateral	**$3,554,500**	**$614,927**	**$93,752**	**$851**	**$643**	**$7,682**	**$23,572**	4,295,927
Other Investments:								
Mutual Funds								3,699
Equity Securities and Mutual Funds								1,002
Domestic Equity Securities								35,933
Total								**$4,336,561**

*Mortgage-backed and asset-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

Endowment Funds Interest Rate Risk at June 30, 2010
(dollars in thousands)

Investment Type	Fair Value	Modified Duration In Years
Debt Securities:		
Barclays Capital Aggregate Bond	$274,724	4.20
U.S. Treasury Inflation-Protected Securities	30,382	3.90
Total Endowment Fund Debt Securities	305,106	
Other Investments:		
Equity Investments	720,057	
Money Market Funds	10,215	
Securities Lending Collateral	102,660	
Total Other Endowment Fund Investments	832,932	
Unsettled Trades:		
Receivable for Investments Sold	(75,415)	
Payable for Investments Purchased	83,948	
Total Endowment Fund Investments	**$1,146,571**	

PERSI Investments at June 30, 2010
(dollars in thousands)

Investment Type	Fair Value
Domestic Fixed-Income	$2,402,932
Co-mingled Domestic Fixed-Income	65,288
Short-Term Domestic Investments	366,056
Idaho Commercial Mortgages	493,886
International Fixed-Income	48,755
Domestic Equities	3,450,486
Domestic Equities - Convertibles	722
International Equities	2,137,804
Short-Term Investments - Choice Plan	686
Real Estate	304,814
Private Equity	763,641
Mutual Funds	340,812
Co-mingled Domestic Equity - Domestic	119,064
Co-mingled Domestic Equity - International	33,448
Total Fair Value of PERSI Investments	**$10,528,394**

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2010
(dollars in thousands)

	Domestic Securities		International Securities		
Investment Type	**Fair Value**	**Effective Duration in Years**	**Fair Value**	**Effective Duration in Years**	**Total Fair Value**
Asset-Backed Securities	$4,978	1.40	$126	*	$5,104
Asset-Backed Securities	44	*			44
Mortgages	16,151	0.75			16,151
Commercial Paper	255,004	0.16			255,004
Corporate Bonds	417,647	6.13	2,758	2.39	420,405
Corporate Bonds	932	*			932
Fixed-Income Derivatives	11	*	(2)	*	9
Fixed-Income Derivatives	99	*			99
Government Agencies	93,312	5.56	5,258	1.73	98,570
Government Agencies	60	*			60
Government Bonds	431,160	5.88	40,615	3.87	471,775
Government Mortgage-Backed Securities	230,439	0.86			230,439
Government Mortgage-Backed Securities	1,719	*			1,719
Pooled Investments	22,213	0.08			22,213
Pooled Investments	65,288	*			65,288
Preferred Stock	370	8.76			370
Private Placements	20,291	3.36			20,291
Private Placements	127,905	*			127,905
U.S. Treasury Inflation-Protected Securities	1,104,112	6.66			1,104,112
Idaho Mortgages	493,885	*			493,885
Total PERSI Fixed Income Securities	**$3,285,620**		**$48,755**		**$3,334,375**

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2010
(dollars in thousands)

Investment Type	**Fair Value**	**Average Maturity In Years**
Money Market Fund	$18,398	Less than 1
Bond Fund	62,732	6.7
Inflation-Linked Bond Fund	9,355	9.2
Equity Funds	56,016	
International Equity Funds	14,257	
TIAA-CREF	7,623	
Total Idaho College Savings Program Investments	**$168,381**	

Deferred Compensation Plan Investments at December 31, 2009
(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
Fixed Income:		
Nationwide Life Fixed Fund	$54,955	12.40
Idaho Retiree Fixed Fund	42,728	12.40
Great West Life Fixed Option	73	
Total Fixed Income	97,756	
Variable Income:		
Nationwide Investor Destinations Moderately Aggressive Fund	8,092	3.45
The Income Fund of America	10,080	4.22
Nationwide Investor Destinations Moderately Conservative Fund	1,852	4.86
Waddell & Reed Advisors High Income Fund	1,473	5.10
Nationwide Retirement Income Fund	98	5.58
Nationwide Investor Destinations Conservative Fund	860	5.70
Dreyfus Bond Market Index Fund	4,324	6.49
Nationwide Destinations 2015 Fund	437	9.27
Nationwide Destinations 2020 Fund	153	10.47
Nationwide Destinations 2025 Fund	36	10.87
Nationwide Investor Destination Moderate Fund	7,570	11.86
Nationwide Destinations 2035 Fund	24	12.80
Nationwide Destinations 2030 Fund	19	12.80
Nationwide Destinations 2040 Fund	16	12.80
Nationwide Destinations 2045 Fund	2	12.80
Nationwide Investor Destinations Aggressive Fund	3,554	12.86
The Growth Fund of America	25,718	
Fidelity	23,422	
Neuberger Berman	7,720	
Capital World	5,209	
State Street Equity	4,811	
EuroPacific Growth Fund	4,012	
Dreyfus	4,228	
American Century	4,544	
AllianceBernstein	2,059	
Van Kampen	1,944	
JPMorgan	1,928	
Charles Schwab	1,152	
Legg Mason Partners	468	
Great West	12	
Nationwide	387	
Carrier Suspense	2	
Total Variable Income	126,206	
Annuity Payout Options:		
Nationwide Life	3,560	
DCVAII	30	
Total Annuity Payout Options	3,590	
Life Insurance Contracts:		
Monumental Life	433	
Total Deferred Compensation Plan Investments and Life Insurance Contracts	**$227,985**	

All investments are unrated.

Component Units Maturity of Debt Investments at June 30, 2010

(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	More than 30 Years	Total Fair Value
Debt Securities									
Money Market Funds	$204,850								$204,850
Certificates of Deposit	115	$586							701
U.S. Government Obligations	1,830	34,513	$9,464	$3,189	$6,287	$1	$1,383	$172,100	228,767
U.S. Gov't Agency Obligations	7,427	41,311	15,216	530	12,460	12,362	60,626		149,932
Corporate Obligations	14,938	43,799	12,846	1,206	1,308	2,409	4,387	2,342	83,235
Preferred Securities		3	2						5
Municipal Obligations		667	25	139	10	28		4,426	5,295
Bond Mutual Funds	22	8,567	9,893						18,482
Total Debt Securities	**$229,182**	**$129,446**	**$47,446**	**$5,064**	**$20,065**	**$14,800**	**$66,396**	**$178,868**	691,267
Other Investments									
Cash Equivalents included with Investments									2,846
Domestic Equities									90,004
Foreign Equities									502
Private Equities									5,237
Investment Agreements									243,833
Corporate Obligations Without Maturity Dates									2,936
Equity and Income Mutual Funds									2,503
Mutual Funds									62,661
International Equity Funds									19,630
Real Estate and Perpetual Trusts*									20,861
Insurance Annuities									268
Hedge Funds									6,386
Interest Rate Swaps									(1,515)
Land Held by Endowment**									3,481
Component Units Investments									**$1,150,900**

*$10,043 valued at cost; **Investments valued at cost.

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. The State does not have a formal policy to address credit risk of debt securities. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The State Board of Education policy allows colleges and universities to invest in corporate bonds and mortgage-backed securities of Aa grade or better and commercial paper of prime or equivalent grade without prior Board approval.
- The EFIB investment policy states that fixed-income securities must be rated Baa or better, commercial paper must be rated A1 (or the equivalent) or better, and money market funds shall contain securities with an absolute minimum of investment grade by Standard & Poor's (S&P) or Moody's.
- The PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- The Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those allowed by Idaho Code, Section 67-6215B, or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing

Investment Trust and the Bond Rating Compliance and Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.

Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2010
(Except Endowment Funds, PERSI, and Deferred Compensation Plan)
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	A1-P1	Unrated
Money Market Funds*	$1,047,266	$966,227						$81,039
Certificates of Deposit	8,055							8,055
Commercial Paper	64,984						$64,984	
U.S. Gov't Agency Obligations	959,418	359,364	$93	$50			598,675	1,236
U.S. Gov't Agency Mortgage-Backed Securities	277,953	277,953						
Asset-Backed Securities	2,482	2,482						
Commercial Mortgages	16,911	16,658		115	$97			41
Corporate Obligations	98,025	48,164	32,105	16,467	1,259	$30		
Municipal and Public Entity Obligations	28,745		44	20				28,681
Bond Mutual Funds and Other Pooled Fixed-Income Securities	161,003		615					160,388
Foreign Agency Obligations	547	346	38	64	99			
External Investment Pools	107,270							107,270
Total	**$2,772,659**	**$1,671,194**	**$32,895**	**$16,716**	**$1,455**	**$30**	**$663,659**	**$386,710**

Reinvestment of Securities Lending Collateral:

Investment Type	Fair Value	Aaa	Aa	A	B	Caa	Ca	C	A1-P1	Unrated
Money Market Funds	$129,145	$128,707						$438		
Repurchase Agreements	720,400									$720,400
Commercial Paper	148,956		$32,000						$116,956	
Asset-Backed Securities	21,205					$21,205				
Commercial Mortgages	5,973				$2,632		$3,341			
Corporate Obligations	167,424	49,971		$82,407						35,046
Total	**$1,193,103**	**$178,678**	**$32,000**	**$82,407**	**$2,632**	**$21,205**	**$3,341**	**$438**	**$116,956**	**$755,446**

*Includes $20.2 million of money market funds that are reported with cash and cash equivalents.

Endowment Funds
Credit Quality Ratings of Debt Investments at June 30, 2010
(dollars in thousands)

Investment Type	Fair Value	Average S & P Rating
Barclays Capital Aggregate Bond	$274,724	AA
Northern Money Market Fund	10,215	A
Securities Lending Collateral	101,194	A
Total	**$386,133**	

PERSI Credit Quality Ratings of Fixed-Income Securities at June 30, 2010

(dollars in thousands)

S & P Rating Level	Fair Value	Investment Type: Domestic Securities	Investment Type: International Securities
Agency (A-1+)	$285,665	$285,665	
AAA	98,708	78,868	$19,840
AA	81,239	81,239	
A	217,799	202,131	15,668
BBB	126,605	124,749	1,856
BB	12,549	12,549	
B	20,591	20,591	
CCC	6,161	6,161	
CC	1,637	1,637	
C	56	56	
D	829	829	
Not Rated	357,802	346,411	11,391
Total	**$1,209,641**	**$1,160,886**	**$48,755**

Component Units Credit Quality Ratings of Debt Securities at June 30, 2010

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	Unrated
Money Market Funds	$204,850									$204,850
Certificates of Deposit	701	$586								115
U.S. Government Agency Obligations	149,932	149,914								18
Corporate Obligations	83,235	9,076	$22,078	$25,165	$15,605	$2,040	$4,397	$1,928	$82	2,864
Preferred Securities	5									5
Municipal Obligations	5,295	4,245	120	613		38				279
Bond Mutual Funds	18,482	5,999	12,284	157	11		19			12
Total	**$462,500**	**$169,820**	**$34,482**	**$25,935**	**$15,616**	**$2,078**	**$4,416**	**$1,928**	**$82**	**$208,143**

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principle that governments should provide note disclosure when 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, the STO pool portfolio, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.
- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.
- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

Primary Government Concentration of Credit Risk at June 30, 2010

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Potato Commission:	Federal Home Loan Bank	$882	100.0
STO Pool:	Federal Home Loan Mortgage Corporation	79,172	5.8
	Federal National Mortgage Association	82,713	6.1

Component Unit Concentration of Credit Risk at June 30, 2010

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:	Federal Farm Credit Bank	$59,553	7.7
	Transamerica Life Insurance Corporation	124,939	16.3
	Trinity Plus Funding Company	101,924	13.3
Health Reinsurance:	Federal Farm Credit	3,763	20.4
	Federal Home Loan Bank	10,643	57.8
	Federal Home Loan Mortgage Corporation	2,003	10.9
	Federal National Mortgage Association	2,007	10.9

Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 21 percent of the EFIB total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.
- The Lewis-Clark State College Foundation investment policy permits investments in equities denominated in foreign currencies. The policy limits the investments in international equities to no more than 15 percent of the Foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

Endowment Funds Foreign Currency Risk at June 30, 2010
(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Common Stock	$4,673
Brazilian Real	Common Stock	1,109
Canadian Dollar	Common Stock	2,122
Danish Krone	Common Stock	1,479
Euro	Common Stock	32,953
Hong Kong Dollar	Common Stock	6,338
Indonesian Rupiah	Common Stock	1,332
Japanese Yen	Common Stock	35,126
Norwegian Krone	Common Stock	820
Singapore Dollar	Common Stock	1,967
South African Rand	Common Stock	2,535
South Korean Won	Common Stock	2,926
Swedish Krona	Common Stock	3,315
Swiss Franc	Common Stock	7,835
U.K. Pound	Common Stock	20,918
Total		**$125,448**

PERSI Foreign Currency Risk at June 30, 2010
(dollars in thousands)

Currency	Investment Type: Short-Term Investments	Investment Type: Equities	Investment Type: Fixed Income	Fair Value of Currency in U.S. Dollars
Australian Dollar	($22,848)	$73,752	$14,166	$65,070
Brazilian Real	932	97,175	1,900	100,007
British Pound Sterling	(52,678)	302,101	2,777	252,200
Canadian Dollar	(8,332)	26,959	14,904	33,531
Chilean Peso	197	1,798		1,995
Chinese Yuan Renminbi		154		154
Czech Koruna	164			164
Danish Krone	422	10,416		10,838
Egyptian Pound	406	16,515		16,921
Euro	(89,843)	512,944	2,834	425,935
Hong Kong Dollar	2,188	226,865		229,053
Hungarian Forint	36	8,934		8,970
Indonesian Rupiah	113	92,440		92,553
Israeli Shekel	95	4,356		4,451
Japanese Yen	1,692	310,356		312,048
Kenyan Shilling		294		294
Malaysian Ringgit		14,561		14,561
Mexican New Peso	280	17,312	7,331	24,923
New Taiwan Dollar	2,965	65,742		68,707
New Turkish Lira	1,719	52,236		53,955
New Zealand Dollar	7	1,742		1,749
Norwegian Krone	51	4,223		4,274
Philippine Peso		2,773		2,773
Polish Zloty	(3,579)	7,064	5,251	8,736
South African Rand	(787)	85,955		85,168
Singapore Dollar	3,957	31,698		35,655
South Korean Won	9,477	106,684		116,161
Sri Lanka Rupee		729		729
Swedish Krona	191	21,660		21,851
Swiss Franc	873	82,416		83,289
Thai Baht	346	21,995		22,341
Zimbabwe Dollar		410		410
Total	**($151,956)**	**$2,202,259**	**$49,163**	**$2,099,466**

College and University Foundation Foreign Currency Risk at June 30, 2010
(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	$2,483
Brazilian Real	Equities	320
Canadian Dollar	Equities	485
Chilean Peso	Equities	31
Chinese Yuan	Equities	298
Colombian Peso	Equities	16
Czech Koruna	Equities	7
Danish Krone	Equities	547
Egyptian Pound	Equities	11
Euro	Equities	2,560
Hong Kong Dollar	Equities	3,731
Hungarian Forint	Equities	9
Indian Rupee	Equities	175
Indonesian Rupiah	Equities	48
Israeli Shekel	Equities	25
Japanese Yen	Equities	4,559
Malaysian Ringgit	Equities	59
Mexican Peso	Equities	113
Moroccan Dirham	Equities	3
New Zealand Dollar	Equities	222
Norwegian Krone	Equities	22
Peruvian Nuevo Sol	Equities	9
Philippine Peso	Equities	10
Polish Zloty	Equities	25
Russian Ruble	Equities	132
Singapore Dollar	Equities	1,369
South African Rand	Equities	145
South Korean Won	Equities	270
Swedish Krona	Equities	587
Swiss Franc	Equities	1,002
Taiwan Dollar	Equities	214
Thai Baht	Equities	31
Turkish Lira	Equities	46
U.K. Pound	Equities	4,886
Total		**$24,450**

Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

Mortgage-Backed Securities have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by the EFIB and the PERSI.

Treasury Inflation Protected Securities (TIPS) are fixed-income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. The Endowment Funds had investments in TIPS with a fair value of $30.4 million, and the PERSI had investments in TIPS with a fair value of $1.1 billion.

The Idaho Housing and Finance Association has five U.S. agency obligations with an aggregate value of $7.1 million with call options. The Association is invested in pay-fixed, receive variable interest rate swaps with notional amounts totaling $21.7 million, and fair value of negative $1.5 million. The Association pays fixed rate payments between 3.368 percent and 5.3 percent and receives variable rate payments based on the Securities Industry and Financial Markets Association (SIFMA) plus 20 basis points.

Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at a higher price.

The Idaho Housing and Finance Association invests excess cash overnight in repurchase agreements that are held in the Association's account in the name of the bank and are collateralized by the U.S. government and agency obligations. The Association had repurchase agreements of $6.9 million with Wells Fargo Bank and $10.4 million with Key Bank.

Idaho State University Foundation invests idle cash in uninsured repurchase agreements that are fully collateralized by the U.S. government. The Foundation had repurchase agreements of $0.8 million with Key Bank National Association.

Securities Lending Agreements

Securities lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Idaho Code, Section 67-1210A, authorizes the STO to engage in securities lending agreements. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The investments are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The cash collateral received is held in a separate account in the name of the STO. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the STO pool portfolio had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities loans upon demand. Generally the average term of these loans is under ten days. The cash collateral received is invested by the agent in marketable securities of varying terms with maturities ranging between one day and three years. As of June 30, 2010, more than 20 percent of the portfolio was invested in instruments with a 10 day maturity or less and the weighted average maturity of the cash collateral portfolio was 259 days.

At year-end the STO pool securities lending portfolio held $27.0 million in two foreign issued securities that were denominated in U.S. dollars. The securities violated the STO investment policy and Idaho Code section 67-1210 and 67-1210A. The current securities lending agreement requires the portfolio remain compliant with the STO investment policy and Idaho Code. The securities were identified as noncompliant and were removed from the portfolio subsequent to year end.

Primary Government and Fiduciary Funds
Balances of Securities Lending Transactions at June 30, 2010
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
U.S. Treasury Obligations	$196,011	$199,967
U.S. Government Agency Obligations	795,609	811,391
Mortgage-Backed Securities	217,962	223,197
Corporate Debt Instruments	13,921	14,288
Total	**$1,223,503**	**$1,248,843**

Reinvestment of securities lending balances of the STO pool portfolio and internal participants' portions of the STO External Investment Pools are reported in the General Fund. The reinvestment of securities lending balances attributable to the external participants are reported in the investment trust funds. These amounts do not include the EFIB or Judges' securities lending balances.

The EFIB engages in securities lending agreements. The EFIB custodian, Northern Trust Company, lends securities for collateral in the form of cash, irrevocable letters of credit or securities worth at least 102 percent of the lent securities' fair value, (105 percent for international securities). At year-end the EFIB had no credit risk exposure to borrowers because the collateral exceeded the amounts borrowed. The securities loans

can be terminated on demand by either the EFIB or the borrower. The EFIB is indemnified if the borrowers fail to return the securities or fail to pay the EFIB for income distributions by the securities issuers while the securities are on loan. At June 30, 2010, the average term of a loan was 53 days. The maturities of loans are affected by the securities loans made by other entities that use the agent's pool. The EFIB cannot pledge or sell collateral securities unless the borrower defaults.

The Judges' Retirement fund engages in securities lending transactions. The Judges' custodian, Northern Trust Company, lends securities for collateral in the form of cash, securities and irrevocable letters of credit worth at least 102 percent of the lent securities' fair value, (105 percent for international securities). The carrying amount and fair value of the securities on loan was approximately $23.4 million. Because these securities cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented in the statement of net assets. The fund is indemnified for losses by the custodian in the event the borrowers fail to return the securities, the collateral received is insufficient to replace the securities, or the borrowers fail to pay the fund for income distributions by the securities issuers while the securities are out on loan. All loans of securities can be terminated on demand by either the fund or the borrower.

C. Derivative Instruments

Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The Idaho State Building Authority entered into a pay-fixed interest rate contract as a cash flow hedge. On the government-wide Statement of Net Assets the fair value amount at June 30, 2010, was $8.1 million which is reported as other liabilities; changes in fair value were $2.6 million which is reported as deferred outflows. The contract has the following objectives and terms:

Type	Objective	Notional Amount *(in thousands)*	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate contract	Hedge of changes in cash flows on the 2008 Series A bonds	$42,695	12/1/2008	9/1/2025	Pay 4.3%; Receive 67% of 1-month LIBOR rate	Aa

The Authority is exposed to credit risk on the interest rate contract that could potentially be in an asset position. The interest rate contract requires the counterparty to post collateral under certain conditions pursuant to the derivative instrument.

The Authority is exposed to interest rate risk on its interest rate contract. As the one-month London Interbank Offered Rate (LIBOR) rate decreases, the Authority's net payment on the interest rate contract increases.

The Authority is exposed to basis risk on its interest rate contract because the variable-rate payments received by the Authority on this hedging instrument are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is currently remarketed every seven days. As of June 30, 2010, the interest rate on the Authority's hedged variable-rated debt was 0.32 percent while 67 percent of 1-month LIBOR was 0.233 percent.

The Authority or its counterparty may terminate the interest rate contract if the other party fails to perform under the terms of the contract. In addition, the Authority may terminate at any time. If at the time of termination the interest rate contract is in a liability position, the Authority would be liable to the counterparty for a payment equal to the liability.

The Idaho Housing and Finance Association has entered into multiple interest rate swap agreements to reduce the Association's overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The fair value of the swaps was a negative $98.8 million and is reported as other liabilities on the Statement of Net Assets. The Association has determined that a substantial portion of its interest rate swaps effectively hedge against changes in variable interest rates. Changes in fair value of $64.5 million for hedge swaps are reported as deferred outflows on the Statement of Net Assets. A portion of the interest rate swaps are considered non-effective for hedging purposes and are reported in the Statement of Revenues, Expenses and Changes in Net Assets at $0.5 million. The Association has the following interest rate swap agreements:

Idaho Housing and Finance Association

Hedging Derivative Instruments - Interest Rate Swap Agreements

(in thousands)

						Terms	
Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Fixed Rate Paid	Variable Rate Received
2000 Series F	$5,110	($900)	$107	11/6/2008	1/1/2018	5.3000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2000 Series G	7,015	(1,846)	26	11/6/2008	7/1/2021	5.2500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series A	8,545	(1,228)	(47)	11/6/2008	1/1/2020	4.7600%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series B	5,060	(1,106)	36	11/6/2008	7/1/2020	4.8660%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series C	8,790	(1,333)	(52)	11/6/2008	7/1/2020	4.8600%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series D	10,765	(1,791)	(136)	11/6/2008	7/1/2022	4.7300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series E	11,450	(1,707)	(170)	11/6/2008	7/1/2022	4.5300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series F	9,010	(1,322)	(75)	11/6/2008	1/1/2021	4.7000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series A	7,590	(1,387)	(36)	11/6/2008	1/1/2021	5.0200%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series B	5,640	(1,226)	11	11/6/2008	1/1/2021	4.9500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series C	8,175	(1,379)	(52)	11/6/2008	1/1/2021	4.8900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series D	9,540	(1,724)	(94)	11/6/2008	7/1/2022	4.7100%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series E	8,905	(1,233)	(99)	11/6/2008	7/1/2021	4.4800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series F	7,630	(822)	(161)	11/6/2008	1/1/2024	3.7900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series G	6,595	(912)	(114)	11/6/2008	1/1/2024	4.1400%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series A	10,020	(1,675)	(199)	11/6/2008	1/1/2026	4.5190%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series B	9,740	(1,137)	(138)	11/6/2008	7/1/2024	4.0360%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series C	5,765	(559)	(89)	11/6/2008	1/1/2025	3.7800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series D	9,150	(1,588)	(62)	11/6/2008	7/1/2025	4.8400%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series E	9,150	(1,386)	(92)	11/6/2008	7/1/2025	4.5300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2004 Series A	9,080	(1,191)	(222)	11/7/2008	1/1/2026	4.0290%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2004 Series B	9,675	(1,541)	(233)	11/7/2008	1/1/2027	4.3700%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2004 Series C	9,435	(1,440)	(214)	11/7/2008	7/1/2025	4.3300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2004 Series D	11,915	(1,410)	(295)	11/7/2008	1/1/2028	3.8500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series A	12,385	(1,515)	(301)	11/7/2008	1/1/2029	3.9000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series B	12,195	(1,563)	(287)	11/7/2008	7/1/2028	3.9850%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series C	12,405	(1,348)	(305)	11/7/2008	7/1/2028	3.7300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series D	12,640	(1,463)	(311)	11/7/2008	7/1/2028	3.8650%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series E	12,875	(1,555)	(313)	11/7/2008	1/1/2029	3.9300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series F	13,315	(1,780)	(316)	11/7/2008	1/1/2029	4.0950%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series A	13,160	(1,753)	(304)	11/7/2008	1/1/2029	4.1000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series B	9,920	(1,404)	(169)	11/7/2008	7/1/2025	4.3500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series C	9,860	(1,377)	(155)	11/7/2008	1/1/2025	4.3600%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series D	11,500	(1,673)	(174)	11/7/2008	1/1/2025	4.4500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series E	12,720	(1,787)	(258)	11/7/2008	1/1/2026	4.2800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series F	12,920	(1,629)	(273)	11/7/2008	1/1/2026	4.0300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series G	12,930	(1,514)	(276)	11/7/2008	7/1/2026	3.9100%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series A	13,210	(1,699)	(290)	11/7/2008	7/1/2026	4.0438%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series B	15,320	(1,794)	(340)	11/7/2008	1/1/2027	3.8950%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series C	15,685	(1,963)	(366)	11/7/2008	1/1/2027	3.9770%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series D-1	17,115	(2,071)	(220)	11/7/2008	1/1/2026	3.9800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series D-2	1,975	(232)	(25)	11/7/2008	7/1/2011	5.0870%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series E-1	21,000	(2,878)	(281)	11/7/2008	7/1/2025	4.0230%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series E-2	2,370	2	(1)	11/7/2008	7/1/2011	5.2470%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series F-1	3,110	(449)	(29)	11/7/2008	1/1/2025	4.3710%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series F-2	26,250	(3,794)	(244)	11/7/2008	7/1/2011	5.6590%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series G	25,000	(4,755)	(1,020)	11/7/2008	7/1/2028	4.3400%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series H	30,000	(5,262)	(1,280)	11/7/2008	7/1/2030	4.1460%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series I	21,000	(3,468)	(867)	11/7/2008	7/1/2028	4.0900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series J	26,250	(4,230)	(1,086)	11/7/2008	7/1/2028	4.0500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series K	24,000	(3,456)	(990)	11/7/2008	7/1/2030	3.8800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR

2008 Series A	24,000	(3,065)	(1,327)	11/7/2008	7/1/2030	3.7190%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series B	26,995	(2,905)	(933)	11/7/2008	7/1/2029	3.5950%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series C	22,645	(2,414)	(517)	11/7/2008	7/1/2026	3.7500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series D	7,255	(635)	(174)	10/2/2008	7/1/2026	3.3680%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
	$685,755	**($97,272)**	**($15,832)**				

Idaho Housing and Finance Association
Investment Derivative Instruments - Interest Rate Swap Agreements
(in thousands)

						Terms	
Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Fixed Rate Paid	Variable Rate Received
2000 Series F	$1,935	($108)	($28)	11/6/2008	1/1/2018	5.3000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2000 Series G	4,725	(337)	(125)	11/6/2008	7/1/2021	5.2500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series B	3,900	(262)	(91)	11/6/2008	7/1/2020	4.8660%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series D	685	(50)	(19)	11/6/2008	7/1/2022	4.7300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series A	1,150	(80)	(29)	11/6/2008	1/1/2021	5.0200%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series B	3,190	(222)	(80)	11/6/2008	1/1/2021	4.9500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series C	785	(55)	(20)	11/6/2008	1/1/2021	4.8900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series D	2,305	(168)	(63)	11/6/2008	7/1/2022	4.7100%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series G	1,035	(76)	(29)	11/6/2008	1/1/2024	4.1400%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series A	535	(41)	(16)	11/6/2008	1/1/2026	4.5190%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series D-1	85	(7)	(2)	11/7/2008	1/1/2026	3.9800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series E-2	115	(2)	1	11/7/2008	7/1/2011	5.2470%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series D	1,235	(107)	(35)	10/2/2008	7/1/2026	3.3680%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
	$21,680	**($1,515)**	**($536)**				

During the fiscal year ended June 30, 2009, the Association terminated its interest swap agreements with Lehman Brothers Derivative Products Inc. on several single-family mortgage bond issues. Concurrently, the Association established contracts with Barclays Capital. Barclays Capital advanced the Association $39.1 million, which assisted in making termination payments to Lehman Brothers. The advance is considered an off-market borrowing and is reported in Other Liabilities at $32.8 million.

The Association was not exposed to credit risk on any outstanding swaps due to their negative fair values. The Association's counterparty has a current rating of Aa.

The Association's swaps have a dual basis: SIFMA index plus 20 basis points when the 1-month LIBOR is less than 3.5 percent and 68 percent of LIBOR when LIBOR is 3.5 percent or greater. The Association is exposed to basis risk when variable payments received are based on LIBOR and do not offset the variable-rate paid on bonds, which is based on SIFMA. On June 30, 2010, SIFMA was 25 basis points and 1-month LIBOR was 34.84 basis points.

Rollover risk relates to a mismatch in the amortization of the swaps with the amortization of the variable-rate bonds. The Association has structured its debt such that not all variable debt is matched by interest rate swaps and calls certain variable-rate bonds independent of the expiration of the associated interest rate swap. This exposes the Association to the risk of incurring a higher interest expense than it might otherwise incur. Swap notional amounts no longer associated with variable-rate debt are reported as investment derivatives.

The Association or Barclays Capital may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates and the Association would be exposed to changing interest rates and incurring interest rate risk. The risk may be offset by identifying a suitable counter party willing to enter into identical swap contracts at the termination date.

D. Restricted Assets

A portion of cash and investments are classified as restricted assets for governmental activities, business-type activities, and component units on the Statement of Net Assets. The break out of purpose and amount are as follows:

Primary Government and Component Units
Restricted Assets at June 30, 2010
(dollars in thousands)

Purpose	Amount
Governmental Activities:	
Restricted Cash:	
Group Insurance Reserves	$16,865
Pollution Clean Up	15,910
Bond Covenants	500
Matching Fund Contributions	26,914
Donations for Various Projects	8,136
Petroleum Violation Escrow	4,090
Legal Settlements	260
Juvenile Corrections Social Security Benefits	699
Legislation and Donations	8,062
The Idaho State Bar Client Assistance Fund	436
Debt Service	19,141
Restricted Investments:	
Matching Fund Contributions	364
Donations for Various Projects	4,903
Legal Settlements	2,338
Legislation and Donations	97,362
Debt Service	4,368
	$210,348
Business-Type Activites:	
Restricted Cash:	
Debt Service	$553
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	22,294
Bond Indentures	20,888
Idaho Lottery Dividends Payout	37,025
Restricted Investments:	
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	63,390
Bond Indentures	704
	$144,854
Component Units:	
Restricted Cash:	
Single-Family and Multi-Family Escrow Deposits	$24,843
Donations for the College and University Foundations	16,491
Restricted Investments:	
Donations for the College and University Foundations	3,095
	$44,429

NOTE 3. EXTERNAL INVESTMENT POOLS

A. Overview of the External Investment Pools

Idaho Code, Sections 67-1301 and 67-2328 authorizes the State Treasurer to combine the money of public agencies jointly in external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit moneys not needed to meet immediate operating obligations in these pools. The LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to $10.0 million. Withdrawals of more than $10.0 million require 3 business days' notification. The weighted average maturity of investments in the LGIP at June 30, 2010, was 69 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of $10.0 million or less generally require 5 business days' notification prior to the last day of the month. Withdrawals of more than $10.0 million require 25 business days' notification prior to the last day of the month. All withdrawals from the DBF occur on the last day of the month. The weighted average maturity of investments in the DBF at June 30, 2010, was 3.17 years. The DBF distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool.

The STO must operate and invest the funds of both pools for the benefit of the participants. The STO makes investments in accordance with Idaho Code, Sections 67-1210 and 67-1210A. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and the DBF are reported as fiduciary-type investment trust funds. The Pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because only the external portion of investment pool assets is required to be reported in the investment trust funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2010. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase or decrease in fair value of each pool.

Internal participant funds generally receive the income from investments generated by their participation in the external investment pools, with the exception of the Unemployment Compensation enterprise fund whose investment income is assigned to the Miscellaneous Special Revenue fund (a nonmajor governmental fund) per Idaho Code 72-1347A.

The LGIP and the DBF engage in securities lending transactions. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The securities are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed and no custodial credit risk existed because the securities were held by the State's agent in the STO's name. No restrictions exist on the amount of loans that can be made. Substantially all securities loans can be terminated on demand either by the State or by the borrower. Generally the average term of these loans is under 10 days. The cash collateral received is invested by the agent in marketable securities with maturities ranging between one day and three years. As of June 30, 2010, more than 55 percent of the LGIP cash collateral was invested in instruments with a 1-day maturity and the weighted average maturity of all collateral investments was 46 days; more than 39 percent of the DBF cash collateral was invested in instruments with a 1-day maturity and the weighted average maturity of all cash collateral investments was 56 days.

At year-end the LGIP and DBF securities lending portfolios held $36.0 million and $19.0 million respectively in two foreign issued securities that were denominated in U.S. dollars. The securities violated the STO investment policy and Idaho Code section 67-1210 and 67-1210A. The current securities lending agreement requires the portfolios remain compliant with the STO investment policy and Idaho Code. The securities were

identified as noncompliant and were removed from the portfolios subsequent to year end.

The Pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

Interest rate risk occurs when investments are fixed for longer periods. The Pools do not have a formally adopted policy to address interest rate risk.

Concentration of credit risk results when investments are concentrated in one issuer which represents heightened risk of potential loss. No specific percentage identifies when concentration of credit risk is present. The GASB has adopted a principle that when governments invest discretely on behalf of their various funds, such as the LGIP or the DBF, they should disclose the amount and percentage when 5 percent of the total fund investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Pools do not have a formally adopted policy to address the amount that may be invested with any one issuer.

Credit risk associated with investments is the risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The Pools do not have a formally adopted policy to address credit risk associated with investments.

B. Local Government Investment Pool

Local Government Investment Pool
Condensed Statement of Net Assets
June 30, 2010
(amounts in thousands)

Assets	
Investments, at Fair Value	$1,079,464
Interest Receivable to the Pool	784
Reinvestment of Securities Lending Collateral	743,925
Securities Lending Income Receivable	185
Total Assets	1,824,358
Liabilities	
Distributions Payable	182
Administrative Fees Payable	36
Obligations Under Securities Lending	743,925
Securities Lending Agent Fees Payable	28
Securities Lending Borrower Rebates Payable	154
Total Liabilities	744,325
Net Assets Held in Trust for Pool Participants	**$1,080,033**
Net Assets Consist of:	
Net Assets Held in Trust for External Participants ($1.00 par)	$974,644
Net Assets Held in Trust for Internal Participants ($1.00 par)	105,389
Net Assets Held in Trust for Pool Participants	**$1,080,033**
Total Participant Units Outstanding ($1.00 par)	1,071,739
Participant Net Asset Value, Offering Price and Redemption Price Per Share ($1,080,033 divided by 1,701,739 units)	**$1.01**

Local Government Investment Pool
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

Investment Income		
Interest Income		$3,848
Securities Lending Income		2,331
Change in Fair Value of Investments		(455)
Total Investment Income		5,724
Expense		
Administrative Fees		(476)
Securities Lending Agent Fees		(297)
Securities Lending Borrower Rebates		(1,897)
Total Investment Expense		(2,670)
Net Investment Income		3,054
Distributions to Participants		
Distributions Paid and Payable		(3,537)
Share Transactions at Net Asset Value of $1.00 per Share		
Pooled Participant Deposits	$2,728,600	
Pooled Participant Withdrawals	(3,220,520)	
Change in Net Assets and Shares Resulting From Share Transactions		(491,920)
Total Change in Net Assets		(492,403)
Net Assets Held in Trust for Pool Participants		
Beginning of Period		1,572,436
End of Period		**$1,080,033**

Local Government Investment Pool
Summary of Fair Value and Interest Rate Risk at June 30, 2010
(dollars in thousands)

			Investment Maturities In Years	
Investment Type	**Fair Value**	**Interest Rates**	**Less than 1**	**1-5**
Money Market Mutual Funds	$143,328	0.190%-0.500%	$143,328	
Corporate Debt Instruments	56,617	0.636%-1.800%	56,617	
U.S. Government Agency Obligations	794,539	0.160%-4.375%	794,539	
U.S. Treasury Obligations	84,980	0.165%-0.318%	84,980	
Total Securities	1,079,464		1,079,464	
Accrued Interest	784		784	
Reinvestment of Securities Lending Collateral:				
Money Market Mutual Funds	113,238	0.000%-0.195%	113,238	
Repurchase Agreements	497,400	0.100%-0.510%	497,400	
Commercial Paper	47,986	0.300%-0.550%	47,986	
Corporate Debt Instruments	83,985	0.280%-0.734%	46,002	$37,983
Commercial Mortgages*	1,316	0.408%	1,316	
Securities Lending Income Receivable	185		185	
Total Assets	**$1,824,358**		**$1,786,375**	**$37,983**

*These securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

Local Government Investment Pool
Change in Fair Value
(dollars in thousands)

Fair Value of Investments at June 30, 2010	$1,079,464
Proceeds of Investments Sold in FY2010	7,213,208
Cost of Investments Purchased in FY2010	(6,721,147)
Fair Value at June 30, 2009	(1,571,980)
Change in Fair Value of Investments During FY2010	**($455)**

Local Government Investment Pool
Concentration of Credit Risk at June 30, 2010
(dollars in thousands)

Issuer	Fair Value	Percent of Total LGIP Investments
Citigroup	$105,400	5.78
Federal Home Loan Bank	195,782	10.74
Federal Home Loan Mortgage Corporation	269,086	14.76
Federal National Mortgage Association	304,679	16.71
Goldman Sachs	171,212	9.39
Morgan Stanley	145,500	7.98
RBS Securities Inc.	98,500	5.40

Local Government Investment Pool
Credit Quality Ratings of Debt Securities at June 30, 2010
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	B	C	P-1	Unrated
Money Market Mutual Funds	$143,328	$88,485						$54,843
Corporate Debt Instruments	56,617	51,616		$5,001				
U.S. Government Agency Obligations	794,539	186,524					$608,015	
Reinvestment of Securities Lending Collateral:								
Money Market Mutual Funds	113,238	113,046				$192		
Repurchase Agreements	497,400							497,400
Commercial Paper	47,986		$13,000				34,986	
Corporate Debt Instruments	83,985	22,987		60,998				
Commercial Mortgages	1,316				$1,316			
Total Investments	**$1,738,409**	**$462,658**	**$13,000**	**$65,999**	**$1,316**	**$192**	**$643,001**	**$552,243**

Moody's or equivalent credit quality ratings have been used.

Local Government Investment Pool
Balances of Securities Lending Transactions at June 30, 2010
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
U.S. Government Agency Obligations	$644,570	$657,466
U.S. Government Obligations	84,980	86,691
Total	**$729,550**	**$744,157**

C. Diversified Bond Fund

Diversified Bond Fund
Condensed Statement of Net Assets
June 30, 2010
(amounts in thousands)

Assets	
Investments, at Fair Value	$404,226
Interest Receivable to the Pool	2,093
Reinvestment of Securities Lending Collateral	300,983
Securities Lending Income Receivable	94
Total Assets	707,396
Liabilities	
Distributions Payable	1,082
Administrative Fees Payable	9
Obligations Under Securities Lending	300,983
Securities Lending Agent Fees Payable	10
Securities Lending Borrower Rebates Payable	57
Total Liabilities	302,141
Net Assets Held in Trust for Pool Participants	**$405,255**
Net Assets Consist of:	
Net Assets Held in Trust for External Participants ($1.00 par)	$121,547
Net Assets Held in Trust for Internal Participants ($1.00 par)	283,708
Net Assets Held in Trust for Pool Participants	**$405,255**
Total Participant Units Outstanding ($1.00 par)	385,231
Participant Net Asset Value, Offering Price and Redemption Price Per Share ($405,255 divided by 385,231 units)	**$1.05**

Diversified Bond Fund
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

Investment Income		
Interest Income		$15,716
Securities Lending Income		659
Change in Fair Value of Investments		10,552
Total Investment Income		26,927
Expense		
Administrative Fees		(823)
Securities Lending Agent Fees		(92)
Securities Lending Borrower Rebates		(510)
Total Investment Expense		(1,425)
Net Investment Income		25,502
Distributions to Participants		
Distributions Paid and Payable		(12,615)
Share Transactions at Net Asset Value of $1.00 per Share		
Pooled Participant Deposits	$37,021	
Pooled Participant Withdrawals	(29,397)	
Change in Net Assets and Shares Resulting From Share Transactions		7,624
Total Change in Net Assets		20,511
Net Assets Held in Trust for Pool Participants		
Beginning of Period		384,744
End of Period		**$405,255**

Diversified Bond Fund
Summary of Fair Value and Interest Rate Risk at June 30, 2010
(dollars in thousands)

			Investment Maturities In Years		
Investment Type	**Fair Value**	**Interest Rates**	**Less than 1**	**1-5**	**6-10**
Money Market Mutual Fund	$19,949	0.190%	$19,949		
Corporate Debt Instruments	23,988	0.794%-5.900%		$18,674	$5,314
Asset-Backed Securities*	2,097	4.900%		2,097	
Mortgage-Backed Securities*	11,631	5.197%-5.396%		7,383	4,248
U.S. Gov't Agency Obligations	67,225	1.875%-5.000%	11,306	49,718	6,201
U.S. Gov't Agency Mortgage-Backed Securities*	192,711	3.500%-6.500%	1,011	176,339	15,361
U.S. Gov't Corporation Mortgage-Backed Securities*	15,835	5.000%-6.000%		15,835	
U.S. Treasury Obligations	70,790	1.125%-4.625%	10,014	54,520	6,256
Total Securities	404,226		42,280	324,566	37,380
Accrued Interest	2,093		2,093		
Reinvestment of Securities Lending Collateral:					
Money Market Mutual Fund	15,538	0.000%-0.195%	15,538		
Commercial Paper	43,988	0.300%-0.550%	43,988		
Corporate Debt Instruments	18,457	0.280%-0.734%	4,000	14,457	
Repurchase Agreements	223,000	0.100%-0.510%	223,000		
Securities Lending Income Receivable	94		94		
Total Assets	**$707,396**		**$330,993**	**$339,023**	**$37,380**

*These securities are reported using weighted-average maturity to more accurately reflect the projected terms of the securities, considering interest rates and repayment terms.

Diversified Bond Fund
Change in Fair Value
(dollars in thousands)

Fair Value of Investments at June 30, 2010	$404,226
Proceeds of Investments Sold in FY2010	321,280
Cost of Investments Purchased in FY2010	(331,259)
Fair Value at June 30, 2009	(383,695)
Change in Fair Value of Investments During FY2010	**$10,552**

Diversified Bond Fund
Concentration of Credit Risk at June 30, 2010
(dollars in thousands)

Issuer	Fair Value	Percent of Total DBF Investments
Citigroup	$59,000	8.37
Federal Home Loan Mortgage Corporation	108,088	15.33
Federal National Mortgage Association	127,123	18.03
Goldman Sachs	86,603	12.28
Morgan Stanley	48,000	6.81

Diversified Bond Fund
Credit Quality Ratings of Debt Securities at June 30, 2010
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	C	P-1	Unrated
Money Market Mutual Fund	$19,949	$19,949					
Corporate Debt Instruments	23,988		$19,385	$4,603			
Asset-Backed Securities	2,097	2,097					
Mortgage-Backed Securities	11,631	11,631					
U.S. Gov't Agency Obligations	67,225	67,225					
U.S. Gov't Agency Mortgage-Backed Securities	192,711	192,711					
Reinvestment of Securities Lending Collateral:							
Money Market Mutual Fund	15,538	15,495			$43		
Commercial Paper	43,988		12,000			$31,988	
Corporate Debt Instruments	18,457	6,996		11,461			
Repurchase Agreements	223,000						$223,000
Total Investments	**$618,584**	**$316,104**	**$31,385**	**$16,064**	**$43**	**$31,988**	**$223,000**

Moody's or the equivalent credit quality ratings have been used.

Diversified Bond Fund
Balances of Securities Lending Transactions at June 30, 2010
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	$10,107	$10,374
U.S. Treasury Obligations	71,258	72,711
Mortgage-Backed Securities	145,382	148,886
U.S. Government Agency Obligations	67,742	68,998
Total	**$294,489**	**$300,969**

NOTE 4. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances consist of the following receivables and payables *(dollars in thousands)*:

		Interfund Payables								
		General Fund	Health and Welfare	Trans-portation	Nonmajor Govern-mental	College and University	Nonmajor Enterprise	Internal Service	Pension Trust	Total
Interfund Receivables	General Fund				$301	$2,402	$7			**$2,710**
	Health and Welfare				42					**42**
	Transportation				9			$7		**16**
	Nonmajor Governmental	$21	$35	$324	1,910					**2,290**
	College and University	1,128	125	89	802					**2,144**
	Nonmajor Enterprise			161						**161**
	Internal Service	178	275	121	48	21				**643**
	Pension Trust								$1,638	**1,638**
	Total	**$1,327**	**$435**	**$695**	**$3,112**	**$2,423**	**$7**	**$7**	**$1,638**	**$9,644**

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another. Most balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The receivables not expected to be collected within one year include $0.3 million advanced by the General Fund to nonmajor governmental funds and $1.2 million advanced by nonmajor governmental funds to other nonmajor governmental funds.

B. Interfund Transfers

Interfund transfers for the fiscal year were as follows *(dollars in thousands)*:

		Transfers In					
		General Fund	Health and Welfare	Nonmajor Govern-mental	College and University	Internal Service	Total
Transfers Out	General Fund		$423,403	$14,420	$266,188	$1,831	**$705,842**
	Health and Welfare	$81		156			**237**
	Transportation			15,386			**15,386**
	Land Endowments	45,955					**45,955**
	Nonmajor Governmental	68,470	891	79	100		**69,540**
	Unemployment Compensation			7,573			**7,573**
	Loan	105		320			**425**
	Nonmajor Enterprise	48,194	2,730	1,120			**52,044**
	Internal Service	1,680					**1,680**
	Total	**$164,485**	**$427,024**	**$39,054**	**$266,288**	**$1,831**	**$898,682**

Interfund transfers are primarily performed for two reasons:

1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law.
2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that has budgetary authorization to spend them.

During fiscal year 2010 the following nonroutine statutory transfer was made:

- The Division of Human Resources (DHR) transferred $1.7 million to the General Fund to refund money for services no longer provided by DHR.

NOTE 5. NONCURRENT RECEIVABLES

Primary Government

Loans and notes receivable in the General Fund consist of long-term receivables from low interest loans made available to upgrade and modernize Idaho's freight-shipping infrastructure in the amount of $2.4 million, of which $1.9 million is not expected to be collected within one year. Taxes receivable in the General Fund primarily consist of income and sales tax in the amount of $297.5 million. The amount not expected to be collected within one year is $46.6 million, net of allowance for doubtful accounts of $0.5 million.

Loans and notes receivable in the Transportation fund consist of long-term receivables from the sale of capital assets in the amount of $1.4 million, of which $1.3 million is not expected to be collected within one year. Taxes receivable in the Transportation fund consist of long-term receivables for fuel tax in the amount of $20.4 million, of which $0.2 million is not expected to be collected within one year.

Loans and notes receivable in the nonmajor special revenue funds primarily consist of long-term receivables for energy and soil conservation projects and for the construction of an irradiation facility in the amount of $10.7 million, of which $8.8 million is not expected to be collected within one year. Accounts receivable in the nonmajor special revenue funds is mainly due to compliance penalties, restitution to crime victims who have suffered an economic loss, and cost of supervision of individuals on probation and parole in the amount of $7.2 million. The amount not expected to be collected within one year is $2.6 million, net of allowance for doubtful accounts of $1.9 million. Taxes receivable in the nonmajor special revenue funds consist of sales, travel and convention, potato, cigarette, tobacco, and fuel tax in the amount of $2.6 million, of which $0.1 million is not expected to be collected within one year.

Loans and notes receivable in the College and University fund consist of student loans, pledges receivable, and notes receivable in the amount of $25.8 million. The amount not expected to be collected within one year is $22.1 million, net of allowance for doubtful accounts of $2.1 million.

Loans and notes receivable in the Loan fund consist of long-term receivables for water project development, drinking water system improvements, and wastewater facility enhancements in the amount of $278.3 million, of which $267.7 million is not expected to be collected within one year.

Noncurrent interfund receivables are discussed in Note 4.

Component Units

Loans, notes, and pledges receivable for the Idaho Housing and Finance Association primarily consist of long-term receivables from single-family mortgage loans in the amount of $1.4 billion. The amount not expected to be collected within one year is $1.2 billion.

Loans, notes, and pledges receivable for the College and University Foundation fund consist of long-term receivables mainly from pledges in the amount of $27.1 million. The amount not expected to be collected within one year is $18.8 million, net of allowance for doubtful accounts of $1.3 million.

Loans, notes, and pledges receivable for the Bond Bank Authority consist of long-term receivables from loans to municipalities in the amount of $200.9 million. The amount not expected to be collected within one year is $195.9 million.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows *(dollars in thousands)*:

Primary Government **Governmental Activities:**	**Balances at July 1, 2009 As Restated***	**Increases**	**Decreases**	**Balances at June 30, 2010**
Capital Assets not Being Depreciated:				
Land and Land Use Rights	$973,479	$39,219	($367)	$1,012,331
Capital Assets in Progress	1,141,938	329,029	(432,792)	1,038,175
Infrastructure	2,030,524	131,439	(6,317)	2,155,646
Historical Art and Collections	122			122
Total Capital Assets not Being Depreciated	4,146,063	499,687	(439,476)	4,206,274
Capital Assets Being Depreciated:				
Buildings and Improvements	698,803	208,363	(32,349)	874,817
Improvements Other Than Buildings	68,282	14,094	(1,938)	80,438
Machinery, Equipment, and Other	370,400	71,728	(30,964)	411,164
Infrastructure	696,844	65,264	(1,641)	760,467
Total Capital Assets Being Depreciated	1,834,329	359,449	(66,892)	2,126,886
Less Accumulated Depreciation for:				
Buildings and Improvements	(263,665)	(32,007)	15,650	(280,022)
Improvements Other Than Buildings	(20,358)	(4,668)	113	(24,913)
Machinery, Equipment, and Other	(230,396)	(32,598)	19,482	(243,512)
Infrastructure	(170,121)	(13,333)	1,317	(182,137)
Total Accumulated Depreciation	(684,540)	(82,606)	36,562	(730,584)
Total Capital Assets Being Depreciated, Net	1,149,789	276,843	(30,330)	1,396,302
Governmental Activities Capital Assets, Net	**$5,295,852**	**$776,530**	**($469,806)**	**$5,602,576**

*Beginning balances were restated due to the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.*

Depreciation expense was charged to functions of governmental activities as follows *(dollars in thousands)*:

Governmental Activities:	
General Government	$5,824
Public Safety and Correction	8,258
Health and Human Services	8,064
Education	2,124
Economic Development	31,838
Natural Resources	8,916
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	2,057
Total Depreciation Expense for Governmental Activities	**67,081**
Accumulated depreciation transferred in	15,525
Total Accumulated Depreciation Increase for Governmental Activities	**$82,606**

Business-Type Activities:	Balances at July 1, 2009 As Restated*	Increases	Decreases	Balances at June 30, 2010
Capital Assets not Being Depreciated:				
Land and Land Use Rights	$95,247	$4,026	($46)	$99,227
Capital Assets in Progress	57,473	64,067	(27,128)	94,412
Historical Art and Collections	2,158	373	(340)	2,191
Total Capital Assets not Being Depreciated	154,878	68,466	(27,514)	195,830
Capital Assets Being Depreciated:				
Buildings and Improvements	1,082,407	53,857	(7,394)	1,128,870
Improvements Other Than Buildings	48,174	1,492	(14)	49,652
Machinery, Equipment, and Other	346,128	25,021	(9,031)	362,118
Total Capital Assets Being Depreciated	1,476,709	80,370	(16,439)	1,540,640
Less Accumulated Depreciation for:				
Buildings and Improvements	(352,254)	(28,479)	2,222	(378,511)
Improvements Other Than Buildings	(27,436)	(1,924)	13	(29,347)
Machinery, Equipment, and Other	(246,406)	(25,182)	7,317	(264,271)
Total Accumulated Depreciation	(626,096)	(55,585)	9,552	(672,129)
Total Capital Assets Being Depreciated, Net	850,613	24,785	(6,887)	868,511
Business-Type Activities Capital Assets, Net	**$1,005,491**	**$93,251**	**($34,401)**	**$1,064,341**
Component Units:				
Capital Assets not Being Depreciated:				
Land	$4,420	$1,293		$5,713
Total Capital Assets not Being Depreciated	4,420	1,293	0	5,713
Capital Assets Being Depreciated:				
Buildings and Improvements	60,813	535	($593)	60,755
Improvements Other Than Buildings	243			243
Machinery, Equipment, and Other	7,192	620	(120)	7,692
Total Capital Assets Being Depreciated	68,248	1,155	(713)	68,690
Less Accumulated Depreciation for:				
Buildings and Improvements	(24,836)	(2,373)	163	(27,046)
Improvements Other Than Buildings	(203)	(4)		(207)
Machinery, Equipment, and Other	(4,307)	(428)	18	(4,717)
Total Accumulated Depreciation	(29,346)	(2,805)	181	(31,970)
Total Capital Assets Being Depreciated, Net	38,902	(1,650)	(532)	36,720
Component Unit Activities Capital Assets, Net	**$43,322**	**($357)**	**($532)**	**$42,433**

*Beginning balances for business-type activities were restated due to the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Adjustments between asset classes were also made. Beginning balances for component units were restated due to the inclusion of The Housing Company's capital assets, which were not included in the FY09 capital asset note disclosure. Adjustments between asset classes were also made.

NOTE 7. RETIREMENT PLANS

A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement System Base Plan (PERSI Base Plan), the Firefighters' Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages the PERSI, which includes selecting the funding agents and establishing funding policy. The PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Summary of Significant Accounting Policies

The PERSI basic financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of longer-term real estate investments has been estimated based on the PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value. Investments held by the PERSI Base Plan and the FRF are pooled.

1. PERSI Base Plan

Plan Description

Organization and Purpose
The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. The Base Plan is governed by Idaho Code, Sections 59-1301 through 59-1399.

Membership
State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for 5 or more consecutive months. The number of participating employer units is 730.

Benefits
The benefit structure is based on each member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death, and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year on the condition the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Funding Policy

Contributions and Vesting
Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code, Section 59-1322, is 25 years.

The last actuarial valuation was performed as of July 1, 2010. Normal cost is 13.9 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.99 percent of covered payroll.

The contribution rates for the year were as follows:

Employee Group	Employer	Employee
General	10.39%	6.23%
Police and Fire	10.73%	7.69%

Employer contributions required and paid were $72.5 million, $74.3 million, and $71.7 million for the fiscal years ended June 30, 2008, 2009, and 2010, respectively.

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment accumulated member contributions plus interest are refundable. Interest is compounded monthly per annum and accrued at 1 percent from July 1, 2009, through June 30, 2010. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Although enrollees in the College and University Optional Retirement Plan no longer belong to the PERSI, the colleges and universities are required to contribute to the PERSI Base Plan through July 1, 2025. The contribution rate for the year was 1.49 percent for colleges and universities. Eastern Idaho Technical College is required to contribute 3.83 percent to the PERSI Base Plan through July 1, 2011.

Funding
Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the PERSI Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

2. Firefighters' Retirement Fund

Plan Description

The FRF is a cost-sharing multiple-employer defined benefit retirement plan. The FRF is governed by Idaho Code, Sections 72-1401 through 72-1472. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. Twenty-two employer units, all consisting of local fire departments, were participating in the FRF. The significant accounting policies are the same as detailed for the PERSI. Complete FRF disclosures may be found in the PERSI financial statements.

3. Defined Contribution Retirement Plans

Plan Description

Organization and Purpose
The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by Idaho Code, Sections 59-1301 through 59-1399. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan and is subject to board approval.

Membership
The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation. The plans have 730 employer units eligible to have participating employees.

Summary of Significant Accounting Policies

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as for the PERSI.

Funding Policy

Contributions
Beginning in January 2002 employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary, less deductions, and subject to the IRS annual contribution limit. Participants direct their investment mix with limited restrictions and may elect to change their salary deferral. On May 1, 2001, the 401(k)

plan became open to voluntary employer matching contributions at rates determined by the employers. Employers and participants in the plans contributed $0.1 million and $33.4 million, respectively, during the fiscal year.

B. Other State-Sponsored Retirement Plans

1. Judges' Retirement Fund

Plan Description

Organization and Purpose
The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, district court judges, and eligible administrative directors, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by Idaho Code, Sections 68-501 through 68-514; and Idaho Code, Title 1, Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership and Vesting
Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to 4 years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- attainment of age 65 and a minimum of 4 years of service
- attainment of age 60 and a minimum of 10 years of service
- attainment of age 55 and a minimum of 15 years of service
- after 20 years of service

The JRF has 78 retired members or beneficiaries collecting benefits, 5 terminated members entitled to, but not yet receiving benefits, and 51 active members.

Benefits
The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death, and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to, but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon current annual compensation of the highest office in which the member served, with benefits for option A accumulating as follows:

> For the first 10 years of service benefits are credited at 5 percent per year of the member's compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of the member's compensation.

In addition to the above benefits, option B includes:

> Benefits credited at 12.5 percent per year for senior judges with 5 years of service.

The maximum benefit is 75 percent of compensation. After four years of credited service any member retiring by reason of disability will be entitled to benefits calculated using option A. Upon the death of retired or sitting members, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Member and Department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest which approximates market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions
The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of

administering the JRF are financed through the contributions and investment earnings of the JRF.

Members and the Judicial Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of member compensation as defined by state law. The JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately $5.6 million for the fiscal year. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed biennially using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7.5 percent investment rate of return, projected annual salary increases of 3 percent, an inflation rate of 3 percent, and annual postretirement benefit increases of 3 percent. Assets are presented at market value. Based on the most recent actuarial valuation as of June 30, 2010, the annual required contribution (ARC) is $3.7 million. Total Judicial Department and member contributions to the pension plan for the fiscal year amounted to $2.3 million, of which $1.6 million was received from filing fees, $0.4 million from the Judicial Department, and $0.3 million from the members. Net pension obligation increased from $9.3 million in 2009 to $11.1 million in 2010 due to the annual pension cost exceeding the employer's contributions. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the change in the actuarial value of plan assets.

The funding progress for the fiscal year is as follows (*dollars in thousands*):

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/10	$53,367	$76,100	$22,733	70.1%	$5,645	403

The State's annual pension cost and net pension obligation to the JRF for the current year and two preceding years are as follows:

Idaho Judges' Retirement Fund
Annual Pension Cost and Net Pension Obligation
(dollars in thousands)

	2008	2009	2010
Annual Required Contribution (ARC)	$2,582	$2,377	$3,735
Interest on Net Pension Obligation (NPO)	129	178	700
Adjustment to ARC	(154)	(213)	(608)
Annual Pension Cost (APC)	2,557	2,342	3,827
Contributions Made	(1,896)	(2,006)	(2,023)
Increase in NPO	661	336	1,804
Prior Year NPO	1,714	2,375	2,711
Change in Actuarial Estimate			6,625
Current Year NPO	**$2,375**	**$2,711**	**$11,140**
Percentage of APC Contributed	74.2	85.7	52.9

2. College and University Optional Retirement Plan

Plan Description

Organization and Purpose
Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by Idaho Code, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and

Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Membership
New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting
The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. The contribution requirement and amount paid for the fiscal year was $38.5 million, which consisted of $21.9 million from the colleges and universities and $16.6 million from employees. The contribution rates as a percentage of payroll for the fiscal year are as follows:

Employee Group	Employer	Employee
Boise State University	9.27%	6.97%
Eastern Idaho Technical College	7.72%	6.97%
Idaho State University	9.30%	6.96%
Lewis-Clark State College	9.35%	6.97%
University of Idaho	9.27%	6.97%

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age.

3. Department of Labor Retirement Plan

Plan Description

Organization and Purpose
This stand-alone insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The Plan is governed by Idaho Code, Section 72-1335, and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership
As of September 30, 2009, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	389
Inactive Participants	10
Current Active Employees	23
Total	422

Benefits
Retirement benefit payments are calculated using a benefit formula established in the Plan. This monthly benefit is payable for life, through an annuity purchased, for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Upon the purchase of an annuity, Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2009, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is $121.3 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2010. Net assets available for benefits (at fair value) are $156.4 million.

Funding Policy

Contributions
Until August 1999, 7 percent of payroll was contributed by the employee. The employee contribution was required by the Plan and was made even though a contribution was not actuarially needed to finance future benefits. In August 1999 the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2010, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2011. The total employer contribution for federal fiscal year 2010 was zero.

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The Department of Administration administers postemployment benefits for healthcare, disability, and life insurance for retired or disabled employees of state agencies, public health districts, community colleges, and other political subdivisions that participate in the plans. The Retiree Healthcare and Long-Term Disability plans are reported as agent multiple-employer defined benefit plans. The Retiree Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5768 and 72-1335, establishes the benefits and contribution obligations. The plans do not issue publicly available financial reports. The most recent actuarial valuation is as of July 1, 2008. No assets have been set aside to pay future benefits; these benefits are funded on a pay-as-you-go basis. The costs of administering the plans are financed by a surcharge to employers on all active employees, $0.17 per person per month for fiscal year 2010. This rate is reviewed annually.

Each of the participating employers is required by GASB Statement No. 45 to disclose additional information regarding funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

The University of Idaho administers a single-employer defined benefit plan which provides medical, dental, and life insurance. The benefits may be amended by the University or the State Board of Education. The University issues a publicly available financial report that includes financial statements and required supplementary information for these benefits. That report may be obtained by writing to the University of Idaho, P.O. Box 443166, Moscow, ID 83844-3166. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2009. The University has established a trust to fund the medical and dental portions of these benefits. The trust statements are for the fiscal year ended December 31, 2009. The cost of administering the medical and dental portion of the plan is included in medical claim costs; the life insurance portion is financed by a 10 percent surcharge.

The number of participating employers and the classes of employees covered by the above plans are as follows:

Classes of Employees and Number of Participating Employers

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
Active Employees	20,107	-	20,107	20,107	4,719	1,281
Retired/Disabled Employees	3,092	148	125	572	1,290	850
Terminated, Vested Employees	3,484	-	3,484	3,484	11	-
Number of participating employers	27	27	27	27	1	1

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired officer or employee of a state agency, department, institution, or other political subdivision, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited service. An officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is $1,860 per retiree per year. In fiscal year 2010 retired plan members contributed 85 percent of the total premium cost. In fiscal year 2010 employers were charged $16.44 per active employee per month towards the retiree premium cost, 15 percent of the total cost of the retiree plan. As of January 1, 2010, coverage was no longer available to Medicare-eligible retirees or their Medicare-eligible dependents.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the

job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary, the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 continuous weeks of total disability or exhaustion of accrued sick leave must be met.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or $4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company, and the obligation for the payment of benefits has been effectively transferred. The employer pays 100 percent of the cost of the premiums; the contribution rate for the period was 0.324 percent of payroll. The employers' actual contribution was $2.8 million in fiscal year 2010. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

For up to 30 months following the date of disability an employee may continue healthcare coverage under this plan. Each employer pays 100 percent of the employer's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. In fiscal year 2010 employers were charged $7.61 per active employee per month.

The plan also provides basic life insurance and dependent life insurance to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. In addition, a $2,000 life insurance benefit is provided for spouses and a $1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The employer pays 100 percent of the cost of the premiums; the contribution is actuarially determined based on actual claims experience.

Retiree Life Insurance Plan

Boise State University, Eastern Idaho Technical College, Idaho State University, and Lewis-Clark State College provide basic life insurance to certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement.

The Judicial Department provides basic life insurance for life to all retired Idaho Supreme Court justices, state court of appeals judges, district court judges, magistrate judges, and court administrators. Eligible retirees receive life insurance coverage equal to 100 percent of the annual salary of the position from which they retire.

The Department of Labor provides basic life insurance to all certified retired employees of the Department. Eligible retirees receive insurance equal to 50 percent of their annual salary at retirement, not to exceed $5,000.

These participating agencies pay 100 percent of the cost of basic life insurance for eligible retirees. The contribution rate for the fiscal year was a percentage of payroll as indicated in the following chart:

Retiree Life Insurance Contribution Rates

	Under Age 65	Age 65 - 69	Age 70 and Over	All Ages
Colleges and Universities	2.037%	1.568%	1.081%	
Judicial Department	1.940%	1.471%	0.984%	
Department of Labor				0.984%

University of Idaho Plan

The University of Idaho plan provides medical and dental benefits to eligible retirees, disabled employees, spouses, and survivors; life insurance is provided only to retirees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for these benefits. The University pays a portion of the coverage for retirees and disabled employees; the retiree or disabled employee pays the remainder. Spouses and survivors are required to pay 100 percent of the cost for the medical and dental benefits.

Employees hired after January 1, 2002, are eligible to participate in the University's health insurance plan; however, the employee pays the entire cost of the premiums. The University determines the defined premium costs that will be borne by the retiree plan

participants. The University solely bears the risk for adverse financial performance, subject to a cap of $150,000 per retiree per year, after which the University is reinsured. Retiree health plan performance is reviewed annually and premium rates are then adjusted by the University as necessary.

Medicare Part D

The Department of Administration received payments from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D. GASB Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires these on-behalf payments to be recorded as revenues and expenses. The Department of Administration reported $2.0 million of Medicare Part D payments from the federal government for fiscal year 2010.

Summary of Significant Accounting Policies

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Revenues and contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a liability is incurred, regardless of the timing of cash flows. Investments are reported at fair value. The financial position of each of the State's OPEB plans is as follows:

Statement of Plan Net Assets
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
ASSETS						
Pooled Cash and Investments	$108		$106			$352
Interest Receivable						10
Investments, at Fair Value						
Fixed Income Securities						6,052
Equity Securities						5,415
Total Assets	$108	$0	$106	$0	$0	$11,829
LIABILITIES						
Deferred Revenue	$108		$106			
Total Liabilities	$108	$0	$106	$0	$0	0
NET ASSETS						
Net Assets Held in Trust for OPEB						11,829
Total Net Assets						11,829
TOTAL LIABILITIES AND NET ASSETS						$11,829

Statement of Changes in Plan Net Assets
(dollars in thousands)

	University of Idaho Plan
ADDITIONS	
Contributions	
Employer	$5,452
Total Contributions	5,452
Interest	230
Unrealized gain in investments	1,664
Total Additions	7,346
DEDUCTIONS	
Realized loss on investments	153
Administrative expenses	2
Total Deductions	155
Net Increase in Plan Net Assets	7,191
Net Plan Assets, Beginning of Year	4,638
Net Plan Assets, End of Year	$11,829

Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO) and NOO (funding excess) for the current year:

Annual OPEB Cost and Net OPEB Obligation
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
Annual required contribution	$3,062	$882	$1,613	$696	$2,800	$5,863
Interest on NOO	1,109	(30)	32	(1)	168	
Adjustment to ARC	(1,486)	40	(43)	1	(224)	
Total Annual OPEB Cost	2,685	892	1,602	696	2,744	5,863
Contributions Made	(1,573)	(711)	(892)	(748)	(859)	(6,819)
Increase (Decrease) in NOO	1,112	181	710	(52)	1,885	(956)
NOO (Funding Excess) – Beginning of Year	25,162	(611)	736	(14)	3,733	(145)
NOO (Funding Excess) – End of Year	$26,274	($430)	$1,446	($66)	$5,618	($1,101)

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation (funding excess) for the current and prior year.

Annual OPEB Cost and Net OPEB Obligation Comparison
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
			Income	Healthcare	Life Insurance		
Annual OPEB Cost	2008	$33,311	$238	$1,540	$706	$2,542	$7,157
	2009	$2,851	$892	$1,562	$698	$2,639	$6,362
	2010	$2,685	$892	$1,602	$696	$2,744	$5,863
Percentage of AOC Contributed	2008	23.5%	371.3%	56.2%	55.1%	19.2%	101.1%
	2009	111.0%	96.0%	96.1%	147.4%	36.4%	101.1%
	2010	58.6%	79.7%	55.7%	107.5%	31.3%	116.3%
NOO (Funding Excess) –	2008	$25,476	($646)	$674	$317	$2,055	($77)
End of Year	2009	$25,162	($611)	$736	($14)	$3,733	($145)
	2010	$26,274	($430)	$1,446	($66)	$5,618	($1,101)

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the State as an employer:

Funded Status and Funding Progress
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
			Income	Healthcare	Life Insurance		
	Actuarial Valuation Date	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2009
1	Actuarial Value of Assets	$0	$0	$0	$0	$0	$13,768
2	Actuarial Accrued Liability (AAL)	21,603	5,813	9,975	8,344	33,482	75,973
3	Unfunded AAL (UAAL) (2) - (1)	$21,603	$5,813	$9,975	$8,344	$33,482	$62,205
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%	18.1%
5	Annual Covered Payroll	$803,608	$803,608	$803,608	$803,608	$248,565	$124,584
6	UAAL as a Percentage of Covered Payroll (3) : (5)	2.7	0.7	1.2	1.0	13.5	49.9

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members.

Any variations in future experience from that expected based on these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percentage of Payroll	Level Dollar Amount	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar
Amortization Period	11 years, Closed	8 years, Closed	30 years, Open	30 years, Open	30 years, Open	30 years, Open
Assumptions:						
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	N/A
Investment Return	4.50%	5.25%	4.50%	5.25%	4.50%	6.25%
OPEB Increases	N/A	N/A	N/A	N/A	3.75%	N/A
Projected Salary Increases	3.75%	3.75%	3.75%	3.75%	3.75%	3.00%
Healthcare Cost Initial Trend Rate	13.60%	N/A	13.60%	N/A	N/A	11.00%
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	5.00%	N/A	N/A	5.00%

NOTE 9. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance internal service funds and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the Idaho Tort Claims Act maximum of $500,000 for each occurrence. Property damage claims are self-insured for up to $250,000 per occurrence annually. Physical damage to covered vehicles is self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

Estimated liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. The State records its Risk Management premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. At fiscal year-end $15.2 million of unpaid claim liabilities for Risk Management are recorded at the present value of $14.1 million, using a 3.5 percent discount interest rate.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Life, health, and disability insurance programs are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 11.8 percent of the annual premiums for medical, 10 percent for dental, and 10 percent for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. Policy claim liabilities are composed of the amounts required to fund any additional payments of life, health, and disability premiums. The liabilities include an estimate for claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The fiscal year 2010 refunds from the Group Insurance carriers reflect favorable claims experience. Unpaid claim liabilities at fiscal year-end of $2.8 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with restricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years.

Liabilities are reported when the occurrence of loss is probable and the amount of the loss can be reasonably estimated. Changes in policy claim liabilities are as follows (*dollars in thousands*):

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims (Payments) Refunds	Ending Balance
Risk Management	2009	$17,108	$2,509	($3,792)	$15,825
	2010	$15,825	$2,021	($3,739)	$14,107
Group Insurance	2009	$3,056	($4,436)	$5,308	$3,928
	2010	$3,928	($2,461)	$1,382	$2,849

NOTE 10. LEASES

A. State as Lessee

The State leases land, buildings, docks, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases do not qualify for capitalization. Therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2010 were $27.2 million for the primary government. Operating leases contain various renewal options, as well as some purchase options.

Capital Leases

The State has entered into capital leases that are, in substance, a purchase. At the date of acquisition the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense.

Assets under capital lease are as follows *(dollars in thousands)*:

Asset Class	Governmental Activities	Business-Type Activities	Total Primary Government
Land	$1,576		$1,576
Buildings and Improvements	34,651	$6,973	41,624
Improvements Other Than Buildings	609		609
Machinery, Equipment, and Other	1,948	2,858	4,806
Accumulated Depreciation	(3,289)	(5,759)	(9,048)
Total Assets under Capital Leases	**$35,495**	**$4,072**	**$39,567**

Future minimum lease commitments for noncancelable operating and capital leases are as follows *(dollars in thousands)*:

	Operating Leases	Capital Leases			
Fiscal Year	Primary Government	Governmental Activities	Business-Type Activities With Third Parties	Business-Type Activities With Component Units	Total Primary Government
2011	$26,775	$4,105	$184	$430	$4,719
2012	20,614	3,909	168	426	4,503
2013	17,811	3,769	134	431	4,334
2014	14,800	3,720	22	429	4,171
2015	12,542	3,655		432	4,087
2016 - 2020	19,812	17,088		848	17,936
2021 - 2025	2,232	16,403			16,403
2026 - 2030	1,218	10,826			10,826
Total Payments	**$115,804**	63,475	508	2,996	66,979
Executory Costs		(12,231)			(12,231)
Imputed Interest		(18,015)	(40)	(619)	(18,674)
Total Present Value of Minimum Lease Payments		**$33,229**	**$468**	**$2,377**	**$36,074**

B. State as Lessor

Operating Leases

Non-state parties rent land, buildings, and improvements other than buildings under operating leases from the State.

Capital Leases

The Boise State University Foundation, a component unit, leases a building to Boise State University. The lease agreement does not specify a final lease term; at the end of the lease, the Foundation will either donate the building to the University or continue to lease the building for $1 annually. The capital lease receivable is on the balance sheet as part of due from primary government and is valued at the net investment in direct financing lease.

The State leased the following assets under operating leases (*dollars in thousands*):

Asset Class	Primary Government
Land	$1,248
Buildings and Improvements	21,050
Improvements Other Than Buildings	10
Accumulated Depreciation	(1,667)
Total Assets Held for Lease	**$20,641**

Future minimum rentals for operating leases and future minimum lease payments receivable for capital leases are as follows *(dollars in thousands)*:

Fiscal Year	Operating Leases Primary Government	Capital Leases Component Unit
2011	$9,403	$430
2012	9,153	426
2013	8,874	431
2014	9,038	429
2015	8,824	432
2016 - 2020	39,911	848
2021 - 2025	6,859	
2026 - 2030	4,686	
Total Rentals and Receivables	**$96,748**	**$2,996**

Net Investment in Direct Financing Lease:	
Minimum Lease Payments Receivable	$2,996
Unearned Income	(619)
Net Investment in Direct Financing Lease	**$2,377**

NOTE 11. SHORT-TERM DEBT

Primary Government

Idaho Code, Section 63-3201, authorizes the State Treasurer, upon approval of the State Board of Examiners, to borrow money in anticipation of current year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors affecting the timing of receipts; such factors are the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2010 the State anticipated that 43 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 67.6 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on the open market were issued on July 1, 2009, and were redeemed on June 30, 2010.

The University of Idaho entered into a line of credit agreement to finance safety renovations and improvements for the University's Kibbie Dome athletic facility. The total available line of credit extended to the University under this agreement is $10.0 million. This note was refinanced with a new bond issuance.

Component Units

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to provide funds to purchase single-family mortgage loans on an interim basis and to finance multi-family construction loans. As of June 30, 2010, the Association has commercial paper outstanding, maturing within 1 to 59 days from date of issue, with a weighted average interest rate of 0.47 percent.

The Idaho Small Employer Health Reinsurance Program has a $1.0 million line-of-credit commitment from a local bank. Interest on the advances is payable monthly at prime rate plus 1.65 percent per annum and was 4.9 percent as of December 31, 2009. The line matures November 2, 2010, and is not secured.

Short-term debt activity was as follows *(dollars in thousands)*:

	Beginning Balance	Issued/Draws	Redeemed/ Repayments	Ending Balance
Primary Government				
Governmental Activities:				
External Tax Anticipation Notes	$0	$500,000	($500,000)	$0
Business-Type Activities:				
Line of Credit	$1,880		($1,880)	$0
Component Units				
Commercial Paper	$30,000	$239,700	($219,700)	$50,000
Line of Credit	$260	$1,097	($1,257)	$100

NOTE 12. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Primary Government

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Employees earn vacation based on hours worked and years of service; compensatory time earned is based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued in the government-wide, proprietary, and fiduciary fund financial statements for all vacation pay and compensatory time when incurred. The liability is based on the pay rate in effect at the balance sheet date. The State assumes a first-in, first-out flow for compensated absence balances.

Idaho Code, Section 67-5333, establishes the policy for sick leave benefits. The State does not pay amounts for accumulated sick leave when employees separate from service. Therefore, the State does not accumulate a liability for sick leave. However, upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) may be used to purchase health insurance for the retiree.

Credited Hours of State Service		Maximum Allowable Hours
0–10,400	(0-5 years)	420
10,401–20,800	(5-10 years)	480
20,801–31,200	(10-15 years)	540
31,201+	(15 years or more)	600

The health insurance premiums are funded by remitting 0.65 percent of payroll to the Sick Leave Insurance Reserve fund administered by the Public Employee Retirement System of Idaho. A compensated absences liability is recorded for the actuarial accrued unfunded liability on the government-wide statements.

B. Revenue Bonds

Primary Government

The Idaho State Building Authority is authorized by Idaho Code Title 67, Chapter 64, to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative approval. Bonds are direct obligations of the Authority. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds except the Series 2008A bonds, for which the Authority has a funded debt service reserve. No amounts were outstanding at June 30, 2010, under these surety bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues. The colleges and universities issued $591.6 million in bonds between 1998 and 2010. Annual principal and interest payments on the bonds are expected to require less than 12.6 percent of the revenues. The total principal and interest payments remaining on the bonds are $784.5 million, payable through 2041. For the current year principal and interest payments and total pledged revenues were $33.5 million and $265.4 million, respectively.

The Idaho Water Resource Board within the Department of Water Resources is authorized to issue and sell revenue bonds under provisions of Idaho Code, Sections 42-1739 through 42-1749. Bonds in the original amount of $5.3 million are outstanding and secured by revenues derived from the generation of hydroelectric power, a mortgage, the assignment of water rights and by a reserve fund with the trustee bank. The reserve requirement is equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to 125 percent of the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline is out of service and unable to generate revenue. These bonds are not considered general obligations of the State. Total principal and interest remaining on the bonds is $5.4 million, payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 69.2 percent of the revenues. For the current year principal and interest payments and total pledged revenues were $0.6 million and $0.9 million, respectively.

Component Units

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under provisions of Idaho Code, Sections 67–6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments and the construction of highway transportation projects. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation bonds are secured by principal and interest payments from the Idaho Transportation Department.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding construction projects. Foundation bonds are secured by various revenue sources, including leases, donations, pledges, and other funds. The college and university foundations issued $27.0 million in bonds between 2001 and 2002. The total principal and interest payments remaining on the bonds are $12.7 million, payable through 2021. Annual principal and interest payments on the bonds are expected to require 100 percent of the revenues. For the current year principal and interest payments and total pledged revenues were $2.0 million and $0.7 million, respectively.

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of the Idaho Constitution, Article VIII, Section 2A, and Idaho Code, Sections 67-8701 through 67-8729. The bonds are used by the Authority to make loans to Idaho cities in order to finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions.

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

	Primary Government							
	Governmental Activities		Business-Type Activities					
Fiscal Year Ending June 30	Nonmajor Special Revenue		College and University		Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$23,060	$11,340	$15,085	$22,211	$360	$240	**$38,505**	**$33,791**
2012	24,210	10,289	13,575	21,160	380	220	**38,165**	**31,669**
2013	25,370	9,148	14,240	20,362	400	198	**40,010**	**29,708**
2014	25,620	7,943	14,890	19,533	425	175	**40,935**	**27,651**
2015	18,830	6,904	15,795	17,039	450	151	**35,075**	**24,094**
2016-2020	41,405	28,071	80,215	80,174	2,065	327	**123,685**	**108,572**
2021-2025	47,370	17,625	68,865	58,210			**116,235**	**75,835**
2026-2030	14,410	9,697	54,935	41,658			**69,345**	**51,355**
2031-2035	10,830	7,657	54,695	26,248			**65,525**	**33,905**
2036-2040	13,905	4,580	35,850	8,747			**49,755**	**13,327**
2041-2045	11,090	940	100,492	495			**111,582**	**1,435**
Total	**$256,100**	**$114,194**	**$468,637**	**$315,837**	**$4,080**	**$1,311**	**$728,817**	**$431,342**
Interest Rate	0.27% to 5.98%		2.00% to 6.52%		5.46% to 6.28%			

Fiscal Year Ending June 30	Component Units: Idaho Housing and Finance Association Principal	Idaho Housing and Finance Association Interest	College and University Foundations Principal	College and University Foundations Interest	Idaho Bond Bank Authority Principal	Idaho Bond Bank Authority Interest	Total Principal	Total Interest
2011	$127,645	$67,410	$445	$419	$4,995	$8,467	**$133,085**	**$76,296**
2012	50,500	65,880	455	405	6,770	8,792	**57,725**	**75,077**
2013	53,760	63,637	475	390	7,280	8,526	**61,515**	**72,553**
2014	57,395	61,347	5,548	209	7,565	8,237	**70,508**	**69,793**
2015	60,675	58,876	935	216	7,795	7,942	**69,405**	**67,034**
2016-2020	352,275	253,238	4,070	847	43,305	34,826	**399,650**	**288,911**
2021-2025	414,030	179,119	5,210	1,303	59,165	23,277	**478,405**	**203,699**
2026-2030	452,610	94,696			48,400	9,260	**501,010**	**103,956**
2031-2035	322,235	40,992			9,090	2,947	**331,325**	**43,939**
2036-2040	407,945	13,161			6,535	673	**414,480**	**13,834**
2041-2045	10,083	307					**10,083**	**307**
Total	**$2,309,153**	**$898,663**	**$17,138**	**$3,789**	**$200,900**	**$112,947**	**$2,527,191**	**$1,015,399**
Interest Rate	0.22% to 8.7%		*0.25% to 5.35%		2.00% to 5.63%			

* Interest for the ISU Foundation is re-marketed weekly and priced off the SIFMA index.

C. Advance Refundings

Primary Government

In prior years the Idaho State Building Authority defeased several bonds by placing governmental securities into irrevocable trusts sufficient to provide for all future debt service payments on those bonds. The related liability was appropriately removed from the financial statements in the year of defeasance.

In prior years Boise State University and the University of Idaho defeased several bonds by placing the proceeds of general revenue and refunding bonds into escrow accounts in amounts sufficient to pay all future debt service payments on those bonds. The related liabilities were appropriately removed from the financial statements in the year of defeasance.

Component Unit

During the current year the Idaho Housing and Finance Association issued Single-Family Mortgage Bonds 2009 Series A and B in the amount of $207.1 million. The 2009 Series A and B Bonds were issued to provide money for the Issuer to purchase and refund certain outstanding Bonds of the Association originally issued to finance the making or purchase of mortgage loans to low income persons for single-family, owner-occupied housing within the State and to pay for certain costs of issuance of the 2009 Series A and B bonds. The refunding resulted in a decrease in the aggregate debt service requirements of approximately $8.9 million and an economic gain to the Association of $17.6 million.

The outstanding debt payable for each defeased debt issue follows *(dollars in thousands)*:

Issuer	Debt Issue	Amount Defeased	Remaining Liability
Idaho State Building Authority	2003 Series B Bonds	$4,765	$4,765
Boise State University	2001 Series Bonds	3,350	3,140
	2002 Series Bonds	34,710	34,710
University of Idaho	2001 Series Bonds	38,035	620

D. Notes Payable

Primary Government

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through the issuance of $431.9 million in notes payable to the Idaho Housing and Finance Association. The notes are related to GARVEE bonds and will be repaid by grant revenues received by the Department from the Federal Highway Administration and by matching state funds. Annual principal and interest payments on the notes are expected to require less than 7.6 percent of the revenues. The total principal and interest payments remaining on the notes are $604.1 million, payable through 2028. For the current year principal and interest payments and total pledged revenues were $27.3 million and $358.0 million, respectively. The

amount of the balance owing does not equal the amount of the receivable recorded by the Association due to the timing of principal and interest payments.

The Idaho State Building Authority issued a $1.7 million note payable during 2009. The note is payable from and secured by a pledge of lease revenues, other funds, and reserves held.

The Department of Administration purchased operating and capital equipment through the issuance of notes payable.

The State's colleges and universities purchased land and financed various construction projects through the issuance of notes payable. The notes are secured by student fees revenues. Lewis-Clark State College issued $5.8 million in notes payable between 2003 and 2010. Annual principal and interest payments on the notes are expected to require less than 32.1 percent of the revenues. The total principal and interest remaining on the notes is $5.8 million, payable through 2014. For the current year principal and interest payments and total pledged revenues were $0.1 million and $0.4 million, respectively.

The Department of Labor issued $202.4 million in notes payable between 2009 and 2010 to the federal government to cover the deficit in the Unemployment Trust Fund. The fund's unemployment insurance receipts have fallen short of the amount needed to pay the current year and prior year unemployment benefits.

Component Unit

The Idaho Housing and Finance Association issued notes payable for the construction and purchase of affordable multifamily housing complexes. The notes are secured by the deeds of trust on the buildings and equipment or an assignment or pledge of purchase rights for security purposes.

Note debt service requirements to maturity are as follows (*dollars in thousands*):

	Primary Government							
	Governmental Activities							
Fiscal Year			**Nonmajor**					
Ending	**Transportation**		**Special Revenue**		**Internal Service**		**Total**	
June 30	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2011	$19,484	$25,902	$78	$87	$127	$176	**$19,689**	**$26,165**
2012	19,815	25,195	82	83	146	168	**20,043**	**25,446**
2013	20,625	24,376	87	78	166	160	**20,878**	**24,614**
2014	21,420	23,579	91	74	187	151	**21,698**	**23,804**
2015	21,094	22,487	96	69	210	140	**21,400**	**22,696**
2016-2020	99,383	77,540	568	257	1,457	498	**101,408**	**78,295**
2021-2025	107,489	31,072	578	82	1,041	79	**109,108**	**31,233**
2026-2030	61,120	3,494					**61,120**	**3,494**
Total	**$370,430**	**$233,645**	**$1,580**	**$730**	**$3,334**	**$1,372**	**$375,344**	**$235,747**
Interest Rate	2.00% to 6.35%		5.52%		5.34%			

Fiscal Year Ending June 30	Business-Type Activities: College and University Principal	College and University Interest	Unemployment Compensation Principal	Unemployment Compensation Interest	Total Principal	Total Interest	Component Units: Idaho Housing and Finance Association Principal	Idaho Housing and Finance Association Interest
2011	$1,490	$599	$202,402		**$203,892**	**$599**	$974	$1,146
2012	1,677	522			**1,677**	**522**	835	1,108
2013	1,754	439			**1,754**	**439**	882	1,056
2014	5,499	355			**5,499**	**355**	936	1,000
2015	1,365	144			**1,365**	**144**	1,393	936
2016-2020	1,947	91			**1,947**	**91**	5,199	3,546
2021-2025							4,034	2,139
2026-2030							3,585	938
2031-2035							1,697	375
2036-2040							1,142	110
2041-2045							307	15
2046-2050							102	2
Total	**$13,732**	**$2,150**	**$202,402**	**$0**	**$216,134**	**$2,150**	**$21,086**	**$12,371**
Interest Rate	*2.64% to 8.50%		0.00%				0.00% to 9.13%	

* Notes payable for BSU include interest rates of the 30 day LIBOR plus 2.35% and 49% of lender's prime rate.

E. Claims and Judgments

Primary Government

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments:

The Department of Health and Welfare estimates Medicaid claims incurred in fiscal year 2010 but not reported at year end in the amount of $49.7 million.

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of $1.2 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and to meet all costs of future site operation and maintenance costs. The December 2009 amended remediation cost estimate was $136.1 million, which was measured using the expected cash flow technique. The State's share was $13.6 million. The State has expended $13.0 million toward the required match leaving a liability of $0.6 million. The contract work was completed during fiscal year 2008. The State has taken ownership of 1,400 acres of remediated and unremediated land with approximately 400 additional acres yet to be transferred from the EPA to the State. The land's value has not been established and has development limitations which may reduce property values.

In August 2002 the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is $355.0 million; Idaho's match is 10 percent or $31.0 million, which was measured using the expected cash flow technique. The State has expended $2.6 million toward the required match, leaving a liability of $28.4 million; Washington State will match the remainder of the liability. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment due to changes in prices, technology, laws, regulations, and other factors. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project. The present value of operational and maintenance costs are estimated at $41.0 million.

Component Units

The component units recorded the following claims and judgments:

The Petroleum Clean Water Trust Fund had policy claim liabilities of $6.7 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of $3.8 million for unpaid claims.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities are summarized as follows *(dollars in thousands):*

Long-Term Liabilities	Balances at July 1, 2009 As Restated	Increases	Decreases	Balances at June 30, 2010	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	$279,364		($23,264)	$256,100	$23,060
Premiums/Discounts/Other	1,958		(970)	988	
Notes Payable	5,118		(204)	4,914	205
Notes Payable to Component Unit	215,045	$163,562	(8,177)	370,430	19,484
Total Bonds and Notes Payable	501,485	163,562	(32,615)	632,432	42,749
Capital Leases	11,475	23,765	(2,011)	33,229	1,793
Compensated Absences	54,893	45,638	(48,535)	51,996	51,993
Policy Claim Liabilities	19,753	3,403	(6,200)	16,956	8,036
Claims and Judgments	112,935	208	(33,253)	79,890	50,921
Net Pension Obligation	2,711	8,429		11,140	
Net OPEB Obligation	20,373	1,796		22,169	
Arbitrage Rebate Liability	180		(100)	80	
Total Governmental Activity	**$723,805**	**$246,801**	**($122,714)**	**$847,892**	**$155,492**
Governmental Activities Net OPEB Obligations were restated due to separate presentation of OPEB Assets from OPEB Liabilities.					
Business-Type Activities:					
Revenue Bonds	$449,045	$47,617	($23,945)	$472,717	$15,335
Premiums/Discounts	365	616	(31)	950	
Notes Payable	50,198	188,234	(22,298)	216,134	203,892
Premiums/Discounts	(3)	3			
Total Bonds and Notes Payable	499,605	236,470	(46,274)	689,801	219,227
Capital Leases	627	263	(422)	468	163
Capital Leases to Component Unit	2,652		(275)	2,377	295
Compensated Absences	20,814	20,828	(20,760)	20,882	20,882
Net OPEB Obligation	9,233	2,034		11,267	
Arbitrage Rebate Liability	528		(527)	1	
Voluntary Termination Benefits		1,787	(893)	894	
Total Business-Type Activity	**$533,459**	**$261,382**	**($69,151)**	**$725,690**	**$240,567**
Business-Type Activities Net OPEB Obligations were restated due to separate presentation of OPEB Assets from OPEB Liabilities.					
Component Units:					
Revenue Bonds	$2,385,753	$526,775	($385,337)	$2,527,191	$133,085
Premiums/Discounts	22,109	1,885	(961)	23,033	
Notes Payable	24,925	194	(4,033)	21,086	974
Total Bonds and Notes Payable	2,432,787	528,854	(390,331)	2,571,310	134,059
Policy Claim Liabilities	12,385	9,838	(11,662)	10,561	5,599
Total Component Unit Activity	**$2,445,172**	**$538,692**	**($401,993)**	**$2,581,871**	**$139,658**

Internal service funds predominantly serve the governmental funds. Accordingly, $0.8 million of compensated absences, $17.0 million of policy claim liabilities, and $0.7 million of capital leases were

included in the governmental activities for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past approximately 28.5 percent has been paid by the General Fund, 69.8 percent by special revenue funds, and the remainder by internal service funds. Primarily the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the Health and Welfare and Transportation special revenue funds, and nonmajor special revenue funds.

G. Conduit Debt

Primary Government

The Idaho Water Resource Board has outstanding revenue bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the property financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Six series of Water Resource Bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of $76.5 million.

Component Unit

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. Twenty-six series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of $101.0 million.

H. Arbitrage Rebate

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some tax exempt bonds issued by the State. Under the rebate requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2010, and changes for the fiscal year then ended are presented in Section F of this note.

I. Termination Benefits

Primary Government

In November 2009, the University of Idaho initiated a voluntary Exit Incentive Program (EIP) to afford Board-appointed eligible faculty and staff members who desired to leave University employment an opportunity to do so with an economic incentive. In order to have been eligible to participate in this program, faculty and staff had to meet the following requirements on or before December 15, 2009: 1) Ten or more years of qualified service (as defined in the EIP) to the University; 2) Attainment of at least age 60 prior to June 30, 2010, and have accumulated at least 80 points through a combination of one point for each year of age and one point for each full year of qualified service; and 3) Be an employee in good standing. They could not be under a suspension with or without pay, they could not have received a written notification of layoff, termination of employment, or nonrenewal (except for unit wide notices of nonrenewal), or have been notified of dismissal proceedings initiated by the University.

Eligible employees and faculty had to enroll in the EIP between December 15, 2009, and March 5, 2010. For those eligible persons who elected to enroll in the EIP, each participant signed a formal agreement releasing the University from certain types of legal liability and preventing the participant from being eligible to seek reemployment by the University for a period of at least 90 days. The University has obligated itself to make payments under this plan to the heirs or beneficiaries of the participant should the participant die before receiving payments under the EIP.

The exit incentive payment provided to eligible employees and faculty who enrolled is one-half of the employee's or faculty member's salary as defined in their salary agreement or salary letter and did not include any compensation amounts not included in the agreement or letter such as bonuses or summer salaries for faculty. Payment of the exit incentive amount will occur in two equal payments, the first in July 2010 and the second in July 2011, each payment comprised of one-quarter of the employee or faculty member's salary as described above. Total incentive payments for those staff and faculty members who enrolled in the program have been calculated to be $1.8 million. This amount has been recognized and recorded in the Statement of Net Assets in "Other" liabilities, divided equally between current and noncurrent liabilities to reflect the timing of EIP payments. In accordance with the requirements of GASB Statement No. 47, *Accounting for Termination Benefits*, the University performed a present value analysis of the calculated payments for both years that resulted in an immaterial difference between the discounted and full value of these payments. The University therefore chose to record the EIP liability at its full amount.

NOTE 13. EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

During fiscal year 2010, the State implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* The adoption of this standard required the restatement of beginning net assets by the following amounts:

- The College and University fund recorded intangible assets of $2.2 million.
- A nonmajor enterprise fund recorded intangible assets of $0.5 million.

The State also implemented GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*, which required the restatement of beginning equity by the following amounts:

- A nonmajor governmental fund reported an increase in fund balance of $6.7 million.
- The Idaho Housing and Finance Association, a component unit, reported an increase in net assets of $47.1 million.

Net assets of internal service funds decreased $0.9 million and net assets of governmental activities increased by the same amount due to a capital asset transferred in a prior year.

The government-wide Statement of Activities beginning net assets balance includes the above adjustments. In addition to the above adjustments, the beginning net assets of governmental activities on the government-wide Statement of Activities were adjusted by the following amounts:

- An increase of $61.2 million due to the implementation of GASB Statement No. 51 and the inclusion of intangible assets.

The Pension Trust Fund net assets increased by $188.5 million due to new information that permits inclusion of the Idaho Public Employees' Deferred Compensation Plan within the State's financial statements.

B. Net Assets Restricted by Enabling Legislation

Net assets are reported as restricted when constraints are placed on net asset use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

The government-wide Statement of Net Assets reported restricted net assets of $1.8 billion for governmental activities, $605.0 million for business-type activities, and $447.9 million for component units. These amounts include $374.3 million of net assets restricted by enabling legislation for governmental activities and $363.7 million of net assets restricted by enabling legislation for business-type activities.

C. Designated Governmental Fund Balances

Designated fund balances are included in the Unreserved Fund Balances reported on the Governmental Fund Balance Sheet. Designations represent management's tentative self-imposed decisions about the future use of unreserved fund balances. Designated fund balances include the following:

- Transportation fund: $69.8 million for trustee and benefit payments, highway projects, and matching federal dollars on state transportation projects

- Nonmajor special revenue funds: $20.5 million for water quality programs and environmental remediation projects; $4.3 million for parks and recreation capital projects

NOTE 14. DONOR-RESTRICTED ENDOWMENTS

Primary Government

The Land Endowments fund has a nonexpendable permanent corpus and an earnings reserve account; the earnings reserve is used to receive earnings and to pay beneficiaries and expenses. The Endowment Fund Investment Board (EFIB) invests the revenues generated from the management and/or sale of endowment lands. The Board of Land Commissioners (Land Board) and the EFIB spend the net appreciation and other revenues in accordance with Idaho Code, Title 57, Chapter 7 and Title 67, Chapter 16. Net appreciation on investments of the donor-restricted endowments available for the Land Board or the EFIB to authorize expenditures for the Land Endowments fund was $19.5 million, which is included in net assets restricted for permanent trust-expendable. The Land Board has set the current distribution policy for the endowments at 5 percent of the three-year rolling average permanent fund balances. EFIB may adjust the distributions depending on the amount in the earnings reserve accounts, transfers to the permanent funds, and other factors.

The Department of Parks and Recreation has a $1.0 million donor-restricted endowment for the preservation, operation, and management of the Ritter Island Unit of the Thousand Springs Complex. Only earnings from investments may be expended by the Idaho Parks and Recreation Board, although no less than 3 percent of the total value of the endowment shall be designated as earnings even if such designation temporarily reduces the principal. The Board maintains sole discretion in determining the amount of earnings to be distributed to the Department of Parks and Recreation and to be deposited to increase the principal of the endowment. For the fiscal year ended, net appreciation available for expenditure was $29,114, which is reported in net assets restricted for other purposes.

Component Units

Endowments for the Boise State University Foundation, Eastern Idaho Technical College Foundation, Idaho State University Foundation, Lewis-Clark State College Foundation, and University of Idaho Foundation are managed in accordance with Idaho Code, Title 33, Chapter 50 and rules adopted by their boards as specified below.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. During the fiscal year the Foundation received new contributions of $2.8 million. The amount permanently restricted by donors was $61.5 million, which is included in net assets restricted for permanent trust-nonexpendable. The amount temporarily restricted by donors was $1.1 million, which is included in net assets restricted for permanent trust-expendable. The endowments had net appreciation of $1.1 million during the fiscal year. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation has set a "total return" spending policy that specifies 4 percent of the three-year rolling average of the ending market value of each individual account be made available for expenditure toward the established purpose.

The Eastern Idaho Technical College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of scholarships at the College. During the fiscal year the Foundation received new contributions of $50,000. The amount permanently restricted by donors was $0.8 million, which is included in net assets restricted for permanent trust-nonexpendable. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation determines the amount to be paid out as scholarships to the College on an annual basis.

The Idaho State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. During the fiscal year the Foundation received new contributions of $1.6 million. The amount permanently restricted by donors was $27.9 million, which is included in net assets restricted for permanent trust-nonexpendable. The amount temporarily restricted by donors was $7.0 million, which is included in net assets restricted for permanent trust-expendable. The endowments had net appreciation of $1.6 million during the fiscal year. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. Donor-imposed restrictions requiring earnings to be contributed back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies. The Foundation has a policy of

appropriating for annual distribution 4.5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distributions are planned.

The Lewis-Clark State College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. During the fiscal year the Foundation received $0.9 million in new contributions. The amount permanently restricted by donors was $0.4 million, which is included in net assets restricted for permanent trust-nonexpendable. The endowments had net appreciation of $0.3 million during the fiscal year. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation established a spending rate of 4 percent of the five-year rolling average of the market value of each endowment account as of December 31 for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The Foundation received $2.4 million in new contributions during the fiscal year. The amount permanently restricted by donors was $95.3 million, which is included in net assets restricted for permanent trust-nonexpendable. The endowments had net appreciation of $16.7 million during the fiscal year. Unrealized appreciation is included in net assets restricted for permanent trust-nonexpendable. All other appreciation is also included in restricted net assets as expendable or nonexpendable permanent trust depending on the terms of the endowment agreements. The Foundation has the following two-tier spending policy dependent upon the endowment agreement that exists for each endowment:

1. Endowments with agreements that require reinvestment of all realized capital gains as principal can distribute only realized interest and dividends, and all realized gains are reinvested.
2. For endowments without restrictive reinvestment language, the Board of Directors establishes an annual spending rate. For fiscal year 2010, the spending rate was set at 4 percent of the three-year rolling average of the endowments' monthly fair market value. If the total realized dividends, interest, and short-term capital gains are less than the total amount required to make a distribution based on the established spending rate, realized long-term capital gains will be used to make up the shortfall.

NOTE 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

Primary Government

In November 1998 a Master Settlement Agreement was reached between the 5 largest tobacco manufacturers and 46 states. Since then more than 40 tobacco companies have joined the Agreement. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of $26.0 million during fiscal year 2010. A number of tobacco manufacturers allege that Idaho has not diligently enforced the Idaho Master Settlement Agreement Act, and therefore should have one or more of its annual payments eliminated. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation, until resolved, threatens one or more future payments.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. The State is unable to estimate the ultimate outcome or liability, if any, in respect to the various proceedings. However, the State believes that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Idaho Code, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. If the State is required to make the bond payment of any school district, the State will redirect distributions normally made to the school district to reimburse the State. As of June 30, 2010, the principal amount of qualified bonds outstanding to school districts was $642.2 million, and the interest amount outstanding was $220.9 million.

Idaho Code, Section 67-8716, requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any municipality, the State will redirect distributions normally made to the municipality to reimburse the State. As of June 30, 2010, the Idaho

Bond Bank Authority had a principal amount of qualified bonds outstanding to municipalities of $200.9 million and the interest amount outstanding was $112.9 million.

The State receives significant financial assistance from the federal government in the form of grants. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and is subject to financial and compliance audits. Questioned costs as a result of these audits may be disallowed after review by federal agencies. The Department of Health and Welfare had $14.8 million of questioned costs at June 30, 2010. These costs will be contested with the federal agency involved. Management estimates the liability to be less than the questioned amounts.

The Idaho Transportation Department (ITD) faces a potential liability of $3.3 million for unpaid contractual claims. A probable cost of $1.2 million has been recognized as a liability with a remaining contingent liability of $2.1 million.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The State's opinion is that these refunds, if any, will not have a significant effect on the financial position of the State.

B. Commitments

Primary Government

The Public Employee Retirement System of Idaho has a total of $502.2 million in outstanding commitments for investments to private equity partnerships.

The ITD has a total of $261.3 million in outstanding commitments for infrastructure and $30.7 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay Idaho Housing and Finance Association $623.9 million in principal and $337.3 million in interest related to Grant Anticipation Revenue Vehicle (GARVEE) bonds for construction costs to improve and enhance the State's highway infrastructure. To date ITD has borrowed $431.9 million against the total; of that amount, $61.5 million has been repaid, resulting in a $370.4 million liability being recorded. Details can be found in Note 12.

The Department of Administration has a total of $78.9 million in outstanding commitments for capital asset-related construction projects underway at year-end. The Department has also entered into a contract with One Visions Systems to provide video conferencing services for students and communities which enables them to receive classes and courses from education providers. The contract will expire in September 2011 and the total estimated cost is $3.3 million. The estimated cost for fiscal year 2011 is $1.0 million.

The colleges and universities estimate costs of $86.1 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. The Clean Water Loan fund had loan commitments of $80.6 million. Most of these loan commitments will be funded from accumulated repayments and investment revenue which are perpetually appropriated for this purpose. The Drinking Water Loan fund had $36.0 million of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. DEQ also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling $5.9 million.

The Department of Correction has a contract with Corrections Corporation of America to operate a 2,080 bed prison. The estimated cost for fiscal year 2011 is $27.9 million. The Department has a contract until June 30, 2013, with Correctional Medical Services, Inc. to provide medical services for inmates. The estimated cost for fiscal year 2011 is approximately $21.4 million. The Department also has a contract with the Ada County Sheriff's Office to house an average of 50 inmates in a work release program. The fiscal year 2011 estimated cost is $0.8 million.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from $90 to $360 per day. The estimated cost for fiscal year 2011 is $7.2 million.

The Department of Parks and Recreation has a total of $6.8 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Superintendent of Public Instruction has a total of $3.7 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Department of Fish and Game has a contract with Outdoor Central to facilitate selling hunting and fishing licenses. The contract will expire in March 2012 and the total estimated cost is $3.5 million.

The Department of Lands has a total of $1.8 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Dairy Products Commission annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2010 advertising pool commitment is $4.0 million.

The State Lottery contracted with INTRALOT, Inc. through February 18, 2014, to pay 1.98 percent of total net sales and a $3,466 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

Component Units

Idaho Housing and Finance Association has commitments to purchase $21.0 million of single-family mortgages. The Association has commitments to sell or secure $87.2 million of single-family mortgages.

NOTE 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2010, the following events occurred:

Primary Government

On July 1, 2010, the Office of the State Treasurer issued tax anticipation notes in the amount of $500.0 million. The notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues of the State to be collected during the fourth quarter of the 2011 fiscal year. The notes mature on June 30, 2011.

Subsequent to June 30, 2010, the University of Idaho entered into two loan agreements with Wells Fargo Bank, both of which mature in August 2016. The first loan was acquired in the amount of $2.9 million to finance improvements to the Kibbie Dome, and the second loan was acquired in the amount of $2.5 million to finance improvements to the Dan O'Brien Track and Field Complex. Both of these facilities are owned by the University.

Component Units

On August 1, 2010, the Idaho Housing and Finance Association redeemed $4.7 million of Series 2008D bonds due to non origination of mortgage loans. This amount is included in the par value redeemed for Series 2008D on July 1, 2010.

Required Supplementary Information

Calvin E. Wright served from 1939 to 1945 through a constitutional battle over the powers of the State Auditor and trying to offset the loss of nearly half of the auditor's staff to military service in World War II. The 1939 Idaho Legislature passed a law creating a position of Comptroller to be appointed by the Governor and defining duties normally vested in the State Auditor's Office. Auditor Wright filed suit. The court ruled in Wright v. Callahan (61 Idaho 167-183; 1940) that the "...entire statute creating office of State Comptroller [was] void for unconstitutionality of part, the essential purpose of which [was] to divest the State Auditor of his constitutional powers and duties...." These constitutional powers remain intact today.

Idaho State Controller's Office Photo

Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	$1,119,098	$1,119,098	$1,119,098	
Individual and Corporate Taxes	1,506,892	1,506,892	1,506,892	
Other Taxes	54,968	54,968	54,968	
Licenses, Permits, and Fees	18,839	18,839	18,839	
Sale of Goods and Services	36,519	36,519	36,519	
Grants and Contributions	2,950	2,950	2,950	
Investment Income	18,338	18,338	18,338	
Tobacco Settlement	25,990	25,990	25,990	
Other Income	11,072	11,072	11,072	
Total Revenues	$2,794,666	$2,794,666	2,794,666	
EXPENDITURES				
General Government	$860,717	$858,606	764,622	$93,984
Public Safety and Correction	241,006	233,113	227,916	5,197
Health and Human Services	39,377	39,377	39,260	117
Education	1,736,160	1,664,336	1,632,524	31,812
Economic Development	37,242	35,132	28,318	6,814
Natural Resources	35,642	34,637	34,709	(72)
Total Expenditures	$2,950,144	$2,865,201	2,727,349	$137,852
Revenues Over (Under) Expenditures			67,317	
OTHER FINANCING SOURCES (USES)				
Capital Lease Acquisitions			22,580	
Sale of Capital Assets			178	
Transfers In			164,485	
Transfers Out			(705,842)	
Total Other Financing Sources (Uses)			(518,599)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(451,282)	
Reconciling Items				
Changes Affected by Accrued Revenues			(283,359)	
Changes Affected by Accrued Expenditures			606,813	
Fund Balances - Beginning of Year			748,016	
Fund Balances - End of Year			$620,188	

The accompanying note is an integral part of this financial schedule.

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$13,120	$13,120	$13,120		$221,228	$221,228	$221,228	
7,090	7,090	7,090		116,719	116,719	116,719	
97,788	97,788	97,788		5,062	5,062	5,062	
1,349,811	1,349,811	1,349,811		374,449	374,449	374,449	
1,144	1,144	1,144		2,491	2,491	2,491	
2,978	2,978	2,978		5,410	5,410	5,410	
$1,471,931	$1,471,931	1,471,931		$725,359	$725,359	725,359	
$150	$150		$150				
2,016,861	2,054,055	1,924,879	129,176				
				$1,029,090	$1,035,909	679,930	$355,979
$2,017,011	$2,054,205	1,924,879	$129,326	$1,029,090	$1,035,909	679,930	$355,979
		(452,948)				45,429	
		5				12,453	
		427,024					
		(237)				(15,386)	
		426,792				(2,933)	
		(26,156)				42,496	
		340,788				(1,432)	
		(325,198)				(8,225)	
		21,197				156,565	
		$10,631				$189,404	

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Process and Control

Budgets are adopted in accordance with Idaho Code, Title 67, Chapter 35. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, the capital projects fund, enterprise funds, internal service funds, earnings of the permanent fund, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures which can be made to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature. Appropriations are subject to the provisions of Idaho Code, Title 67, Chapter 36.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The Governor has line item veto power over appropriation bills. Approval by two-thirds of both houses is required to override a governor's veto. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or become law without the Governor's signature within five days after being presented to him, per Idaho Constitution, Article IV, Sections 10 and 11.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation. The Governor may call extraordinary sessions as provided by Article IV, Section 9, of the Idaho Constitution.

Limitations exist regarding the extent to which management may modify an appropriation. Legislative approval is required for the transfer of appropriations from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per Idaho Code, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. The DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

The General Fund had a negative variance stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are reserved for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles (GAAP). The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual

transfers, and receipts to the appropriation. The reconciliation at the bottom of the Budgetary Comparison Schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the Budgetary Comparison Schedule reflects budgeted revenues as being equal to actual revenues. The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be viewed online at www.sco.idaho.gov. Look under "Accounting" and then "Financial Reports and Public Information."

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the State must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet all of the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Annually estimate the cost to maintain and preserve the assets at the condition level established
- Document the condition level at which the assets are being preserved and maintained

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,989 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public's perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public's perception of road roughness. The RI ranges from 0.0 (extremely rough) to 5.0 (smooth).

A Class II-type profilometer is currently used by ITD to measure pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle that travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections statewide are obtained annually.

Pavement Distress (Cracking) is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each pavement management section. Based upon this input, a cracking index (CI) is calculated for each section. The CI rating is very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the CI or RI to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	$\geq$ 2.5 (CI or RI) $\leq$ 3.0	$\geq$ 2.0 (CI or RI) $\leq$ 3.0
Poor	$\geq$ 2.0 (CI or RI) < 2.5	$\geq$ 1.5 (CI or RI) < 2.0
Very Poor	(CI or RI) < 2.0	(CI or RI) < 1.5

Established Condition Level

In fiscal year 2010, the ITD changed the administrative policy on established condition level from no more than 18 percent to no more than 30 percent of pavement shall be in poor or very poor condition. In calendar year 2009 the assessed level was maintained at 18 percent. Infrastructure preservation and restoration is a priority for the State. As a result of this focus, the Idaho Transportation Department has provided all available funds to meet these goals.

Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments
Percent of Total Lane Miles per Pavement Condition

	2009		2008		2007		2006		2005	
Good	7,226	60%	7,401	62%	7,370	62%	7,318	61%	7,364	62%
Fair	2,653	22%	2,203	18%	2,293	19%	2,223	19%	2,244	19%
Poor	1,589	13%	1,779	15%	1,810	15%	1,879	16%	1,772	15%
Very Poor	521	5%	561	5%	457	4%	457	4%	494	4%
Total Lane Miles	**11,989**	**100%**	**11,944**	**100%**	**11,930**	**100%**	**11,877**	**100%**	**11,874**	**100%**

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands):*

	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005
Estimated	$170,828	$144,000	$85,000	$90,800	$88,200	$69,200	$67,156
Actual		111,489	103,720	108,624	79,301	69,502	79,310

The lane miles approaching deficient condition in fiscal years 2010 and 2011 are more expensive to maintain than the lane miles in prior years due to the nature and location of the roads, causing an increase in the estimates. Actual costs were less than estimated costs in fiscal year 2010 by 22.6 percent due to a decline in road construction costs.

PENSION – Schedule of Funding Progress

Judges' Retirement Fund (*dollars in thousands*):

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/08	$60,136	$72,519	$12,383	82.9%	$5,723	216
6/30/09	$48,439	$75,345	$26,906	64.3%	$5,960	451
6/30/10	$53,367	$76,100	$22,733	70.1%	$5,645	403

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress *(dollars in thousands):*

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2006	$0	$353,159	$353,159	0.0%	$764,953	46.2
	7/1/2008	$0	$21,603	$21,603	0.0%	$803,608	2.7
Long-Term Disability							
Income	7/1/2006	$0	$6,378	$6,378	0.0%	$764,953	0.8
	7/1/2008	$0	$5,813	$5,813	0.0%	$803,608	0.7
Healthcare	7/1/2006	$0	$10,006	$10,006	0.0%	$764,953	1.3
	7/1/2008	$0	$9,975	$9,975	0.0%	$803,608	1.2
Life Insurance	7/1/2006	$0	$10,616	$10,616	0.0%	$764,953	1.4
	7/1/2008	$0	$8,344	$8,344	0.0%	$803,608	1.0
Retiree Life Insurance	7/1/2006	$0	$30,577	$30,577	0.0%	$237,374	12.9
	7/1/2008	$0	$33,482	$33,482	0.0%	$248,565	13.5
University of Idaho	7/1/2007	$4,325	$83,011	$78,686	5.2%	$120,560	65.3
	7/1/2008	$8,333	$77,141	$68,808	10.8%	$129,435	53.2
	7/1/2009	$13,768	$75,973	$62,205	18.1%	$124,584	49.9

To be eligible for the Retiree Healthcare Plan, an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is $1,860 per retiree per year. As of January 1, 2010, coverage was no longer available to Medicare-eligible retirees or their Medicare-eligible dependents. These changes have significantly reduced the liability.

Schedule of Employer Contributions *(dollars in thousands)*:

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Retiree Life Insurance	06/30/08	$2,542	$487	19.16
	06/30/09	$2,673	$961	35.95
	06/30/10	$2,800	$859	30.69
University of Idaho	06/30/08	$7,157	$7,234	101.08
	06/30/09	$6,362	$6,430	101.07
	06/30/10	$5,863	$6,819	116.31

Combining Financial Statements

Joe R. Williams, State Auditor from 1959 to 1989, served longer than any other State Auditor in Idaho's history. Promptly after his first election, he introduced the State to automated data processing of the state's fiscal accounts. Before retiring he began the initial development of a new accounting and payroll system.

In 1983 Joe R. Williams challenged the Idaho State Legislature over the post-audit duties of the state auditor. He filed for and received a permanent injunction against the Legislature, which had appropriated funds to the Legislative Auditor's Office to conduct post-audits instead of the auditor's office. The permanent injunction in effect placed authority for post-audits in the hands of the state auditor and forbade the legislature from usurping the power of a constitutionally created executive agency through a line-item appropriation.

Idaho State Controller's Office Photo

GOVERNMENTAL FUNDS include nonmajor special revenue funds, a capital projects fund, and a permanent fund. The following provides a brief description of the governmental funds.

NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues dedicated to finance specific functions of government.

The Agriculture and Natural Resources Fund accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided by dedicated user fees, the sale of goods and services, federal grants, and various other sources.

The Regulatory Fund accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

The Fish and Game Fund accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

The Federal Fund accounts for a portion of the financial position and operations associated with federal grants received by the State. Some federal grants are included in other funds of the State.

The Federal Stimulus Fund accounts for a portion of the financial position and operations associated with the federal stimulus awards received by the State. Some stimulus awards are included in other funds of the State.

The Miscellaneous Fund accounts for the financial position and operations associated with general government services. The major sources of funding are provided by the sale of goods and services, miscellaneous taxes, and other revenues.

The Building Authority accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major source of funding is provided by the sale of goods and services and bonds issued. The Building Authority is a blended component unit.

THE CAPITAL PROJECTS FUND accounts for specific revenues designated to finance construction of capital assets.

The Transportation Infrastructure Fund accounts for the financial position and operations associated with the construction and financing of roads, bridges, and rest areas. The major source of funding is provided by federal highway funds and notes issued.

THE PERMANENT FUND accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

The Land Endowments Fund accounts for the financial position and operations associated with the investment of revenues generated from the management and sale of endowment land assets for the benefit of public schools, colleges, hospitals, and prisons.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	**Regulatory**	**Fish and Game**	**Federal**
ASSETS				
Cash and Cash Equivalents	$9,279	$1,356		
Pooled Cash and Investments	64,346	61,412	$10,897	$16,622
Investments	11,047	390	4,533	4,780
Securities Lending Collateral	6,036		9,467	3,830
Accounts Receivable, Net	2,661	27		64
Taxes Receivable, Net	1,344			
Interfund Receivables	1,404	72	387	112
Due from Other Entities	2,461		5,721	52,599
Inventories and Prepaid Items	2,124	292	5,816	908
Loans, Notes, and Pledges Receivable, Net	8,701		10	
Other Assets	151		68	35
Restricted Assets:				
Cash and Cash Equivalents	21,565	436	2,792	18,862
Investments	2,338		8,182	364
Total Assets	$133,457	$63,985	$47,873	$98,176
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$2,535	$32	$900	$42,634
Payroll and Related Liabilities	2,161	1,147	1,957	3,773
Interfund Payables	410	7	19	2,638
Due to Other Entities	7			
Deferred Revenue	4,152	604	1,780	23,386
Amounts Held in Trust for Others	2,994	464	5	
Obligations Under Securities Lending	6,036		9,467	3,830
Other Accrued Liabilities	1,154	552	617	226
Total Liabilities	19,449	2,806	14,745	76,487
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	4,615	259	1,209	6,648
Inventories and Prepaid Items	2,124	292	5,816	908
Noncurrent Receivables	9,701	50		
Other Purposes	22,375	436	10,973	785
Unreserved, Reported in:				
Special Revenue Funds	75,193	60,142	15,130	13,348
Capital Projects Fund				
Total Fund Balances	114,008	61,179	33,128	21,689
Total Liabilities and Fund Balances	$133,457	$63,985	$47,873	$98,176

			Capital Projects	
Federal Stimulus	Miscellaneous	Building Authority	Transportation Infrastructure	Total
	$1	$373		$11,009
$8	101,200		$11	254,496
	16,843	2,421		40,014
	12,541			31,874
	9,552		15,214	27,518
	1,260			2,604
	315			2,290
2,522				63,303
114	1,849			11,103
	2,000			10,711
	512	1		767
5,398	1,067	19,141		69,261
	971	4,368		16,223
$8,042	$148,111	$26,304	$15,225	$541,173
$1,783	$1,355	$1,261	$14,760	$65,260
69	2,585			11,692
	38			3,112
				7
5,478	6,487			41,887
	5			3,468
	12,541			31,874
420	381		455	3,805
7,750	23,392	1,261	15,215	161,105
		18,944		18,944
33,906	1,194			47,831
114	1,849			11,103
	2,004			11,755
	2,037	16,313		52,919
(33,728)	117,635	(10,214)		237,506
			10	10
292	124,719	25,043	10	380,068
$8,042	$148,111	$26,304	$15,225	$541,173

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	**Regulatory**	**Fish and Game**	**Federal**
REVENUES				
Sales Tax	$4,800			
Other Taxes	34,074	$62,972		
Licenses, Permits, and Fees	33,828	44,100	$34,137	$1
Sale of Goods and Services	2,416	1,227	289	309
Grants and Contributions	33,840		40,313	445,146
Investment Income	1,346	148	981	442
Other Income	15,966	214	693	247
Total Revenues	126,270	108,661	76,413	446,145
EXPENDITURES				
Current:				
General Government		2,852		37,271
Public Safety and Correction		2,601		9,214
Education				261,063
Economic Development	38,988	41,132	100	85,918
Natural Resources	63,228	785	68,476	4,758
Capital Outlay	6,370	300	7,100	4,322
Intergovernmental Revenue Sharing	9,828			50,283
Debt Service:				
Principal Retirement	58		563	
Interest and Other Charges	15		434	6
Total Expenditures	118,487	47,670	76,673	452,835
Revenues Over (Under) Expenditures	7,783	60,991	(260)	(6,690)
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions			1,165	
Sale of Capital Assets	362	25	278	26
Transfers In	14,636	14	7	155
Transfers Out	(164)	(60,114)	(139)	(621)
Total Other Financing Sources (Uses)	14,834	(60,075)	1,311	(440)
Net Changes in Fund Balances	22,617	916	1,051	(7,130)
Fund Balances - Beginning of Year, as Restated	91,391	60,263	32,077	28,819
Fund Balances - End of Year	$114,008	$61,179	$33,128	$21,689

		Capital Projects		
Federal Stimulus	Miscellaneous	Building Authority	Transportation Infrastructure	Total
				$4,800
	$25,113			122,159
	19,614			131,680
$5	28,802	$34,102		67,150
216,192	9,938			745,429
76	4,285	237	$8,990	16,505
1	21,749			38,870
216,274	109,501	34,339	8,990	1,126,593
3,166	6,136	328		49,753
510	50,012			62,337
181,250	10,100			452,413
31	37,441		12,365	215,975
20,174	1,171			158,592
1,392	3,801	26,376	160,322	209,983
9,900	9,846			79,857
	171	23,335		24,127
	108	12,549		13,112
216,423	118,786	62,588	172,687	1,266,149
(149)	(9,285)	(28,249)	(163,697)	(139,556)
			163,562	163,562
				1,165
	100			791
265	23,977			39,054
(1)	(7,366)	(1,135)		(69,540)
264	16,711	(1,135)	163,562	135,032
115	7,426	(29,384)	(135)	(4,524)
177	117,293	54,427	145	384,592
$292	$124,719	$25,043	$10	$380,068

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010

(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	$4,800	$4,800	$4,800	
Other Taxes	34,302	34,302	34,302	
Licenses, Permits, and Fees	35,944	35,944	35,944	
Sale of Goods and Services	2,393	2,393	2,393	
Grants and Contributions	36,867	36,867	36,867	
Investment Income	1,221	1,221	1,221	
Other Income	15,857	15,857	15,857	
Total Revenues	$131,384	$131,384	131,384	
EXPENDITURES				
General Government				
Public Safety and Correction				
Education				
Economic Development	$43,860	$43,980	39,241	$4,739
Natural Resources	105,740	109,697	84,686	25,011
Total Expenditures	$149,600	$153,677	123,927	$29,750
Revenues Over (Under) Expenditures			7,457	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			362	
Transfers In			14,636	
Transfers Out			(164)	
Total Other Financing Sources (Uses)			14,834	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			22,291	
Reconciling Items				
Changes Affected by Accrued Revenues			(5,114)	
Changes Affected by Accrued Expenditures			5,440	
Fund Balances - Beginning of Year, as Restated			91,391	
Fund Balances - End of Year			$114,008	

continued

Special Revenue							
Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$68,868	$68,868	$68,868					
44,038	44,038	44,038		$34,137	$34,137	$34,137	
819	819	819		288	288	288	
				38,463	38,463	38,463	
148	148	148		573	573	573	
214	214	214		460	460	460	
$114,087	$114,087	114,087		$73,921	$73,921	73,921	
$2,852	$2,852	2,852					
3,340	3,354	2,671	$683				
49,663	49,759	43,859	5,900	$216	$216	100	$116
2,273	2,273	775	1,498	77,481	82,965	74,496	8,469
$58,128	$58,238	50,157	$8,081	$77,697	$83,181	74,596	$8,585
		63,930				(675)	
						1,165	
		25				278	
		14				7	
		(60,114)				(139)	
		(60,075)				1,311	
		3,855				636	
		(5,426)				2,492	
		2,487				(2,077)	
		60,263				32,077	
		$61,179				$33,128	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010

(dollars in thousands)

	Special Revenue			
	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees	$1	$1	$1	
Sale of Goods and Services	74	74	74	
Grants and Contributions	446,241	446,241	446,241	
Investment Income	276	276	276	
Other Income	245	245	245	
Total Revenues	$446,837	$446,837	446,837	
EXPENDITURES				
General Government	$89,922	$90,858	54,780	$36,078
Public Safety and Correction	17,063	19,356	13,587	5,769
Education	325,472	329,917	261,917	68,000
Economic Development	113,438	119,254	102,355	16,899
Natural Resources	17,311	18,828	10,413	8,415
Total Expenditures	$563,206	$578,213	443,052	$135,161
Revenues Over (Under) Expenditures			3,785	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			26	
Transfers In			155	
Transfers Out			(621)	
Total Other Financing Sources (Uses)			(440)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			3,345	
Reconciling Items				
Changes Affected by Accrued Revenues			(692)	
Changes Affected by Accrued Expenditures			(9,783)	
Fund Balances - Beginning of Year, as Restated			28,819	
Fund Balances - End of Year			$21,689	

continued

Special Revenue							
Federal Stimulus				Miscellaneous			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
				$21,240	$21,240	$21,240	
				19,572	19,572	19,572	
				21,984	21,984	21,984	
$233,282	$233,282	$233,282		9,648	9,648	9,648	
76	76	76		3,408	3,408	3,408	
1	1	1		21,124	21,124	21,124	
$233,359	$233,359	233,359		$96,976	$96,976	96,976	
$7,139	$7,140	4,725	$2,415	$7,254	$7,402	6,797	$605
4,283	5,703	2,181	3,522	66,002	67,995	57,454	10,541
165,822	200,067	195,568	4,499	8,782	15,910	11,046	4,864
17,471	17,704	1,023	16,681	50,219	50,657	42,403	8,254
51,765	80,665	24,977	55,688	3,872	3,877	1,164	2,713
$246,480	$311,279	228,474	$82,805	$136,129	$145,841	118,864	$26,977
		4,885				(21,888)	
						100	
		265				23,977	
		(1)				(7,366)	
		264				16,711	
		5,149				(5,177)	
		(17,085)				12,525	
		12,051				78	
		177				117,293	
		$292				$124,719	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Special Revenue			
	Building Authority			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services	$34,102	$34,102	$34,102	
Grants and Contributions				
Investment Income	237	237	237	
Other Income				
Total Revenues	$34,339	$34,339	34,339	
EXPENDITURES				
General Government	$62,588	$62,588	62,588	
Public Safety and Correction				
Education				
Economic Development				
Natural Resources				
Total Expenditures	$62,588	$62,588	62,588	
Revenues Over (Under) Expenditures			(28,249)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets				
Transfers In				
Transfers Out			(1,135)	
Total Other Financing Sources (Uses)			(1,135)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(29,384)	
Reconciling Items				
Changes Affected by Accrued Revenues				
Changes Affected by Accrued Expenditures				
Fund Balances - Beginning of Year, as Restated			54,427	
Fund Balances - End of Year			$25,043	

Capital Projects				Total			
Transportation Infrastructure							
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
				$4,800	$4,800	$4,800	
				124,410	124,410	124,410	
				133,692	133,692	133,692	
				59,660	59,660	59,660	
				764,501	764,501	764,501	
$8,992	$8,992	$8,992		14,931	14,931	14,931	
				37,901	37,901	37,901	
$8,992	$8,992	8,992		$1,139,895	$1,139,895	1,139,895	
				$169,755	$170,840	131,742	$39,098
				90,688	96,408	75,893	20,515
				500,076	545,894	468,531	77,363
$172,688	$172,688	172,687	$1	447,555	454,258	401,668	52,590
				258,442	298,305	196,511	101,794
$172,688	$172,688	172,687	$1	$1,466,516	$1,565,705	1,274,345	$291,360
		(163,695)				(134,450)	
		163,562				163,562	
						1,165	
						791	
						39,054	
						(69,540)	
		163,562				135,032	
		(133)				582	
		(2)				(13,302)	
						8,196	
		145				384,592	
		$10				$380,068	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Permanent Fund
For the Fiscal Year Ended June 30, 2010

(dollars in thousands

	Land Endowments			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	$48,024	$48,024	$48,024	
Investment Income	145,897	145,897	145,897	
Total Revenues	$193,921	$193,921	193,921	
EXPENDITURES				
Natural Resources	$32,078	$32,080	27,375	$4,705
Total Expenditures	$32,078	$32,080	27,375	$4,705
Revenues Over (Under) Expenditures			166,546	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			9	
Transfers Out			(45,955)	
Total Other Financing Sources (Uses)			(45,946)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			120,600	
Reconciling Items				
Changes Affected by Accrued Expenditures			(513)	
Fund Balances - Beginning of Year			923,584	
Fund Balances - End of Year			$1,043,671	

NONMAJOR ENTERPRISE FUNDS account for state agencies that provide goods or services to the general public and finance their operations primarily through user charges. The following provides a brief description of the nonmajor enterprise funds.

The State Lottery was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by Idaho Code, Section 67-7434.

The State Liquor Fund provides control over the distribution, sale, and consumption of alcoholic beverages. Per Idaho Code, Section 23-404, after deducting administrative and operating costs for the Liquor Division, distributions are made to cities, counties, the General Fund, and various other funds of the State.

The Correctional Industries provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2010
(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	$2,504		$1,120	$3,624
Pooled Cash and Investments		$18,527	2,962	21,489
Accounts Receivable, Net	2,177	147	409	2,733
Interfund Receivables			161	161
Inventories and Prepaid Items	464	11,755	1,778	13,997
Total Current Assets	5,145	30,429	6,430	42,004
Noncurrent Assets				
Restricted Cash and Cash Equivalents	37,025			37,025
Other Noncurrent Assets		4	1	5
Capital Assets, Net	440	7,056	2,037	9,533
Total Noncurrent Assets	37,465	7,060	2,038	46,563
Total Assets	$42,610	$37,489	$8,468	$88,567
LIABILITIES				
Current Liabilities				
Accounts Payable	$1,299	$8,061	$106	$9,466
Payroll and Related Liabilities	122	409	74	605
Interfund Payables			7	7
Due to Other Entities		6,091		6,091
Other Accrued Liabilities	3,187		451	3,638
Capital Leases Payable	49			49
Compensated Absences Payable	115	482	116	713
Total Current Liabilities	4,772	15,043	754	20,569
Noncurrent Liabilities				
Capital Leases Payable	34			34
Other Long-Term Obligations	66	217	39	322
Total Noncurrent Liabilities	100	217	39	356
Total Liabilities	4,872	15,260	793	20,925
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	357	7,056	2,037	9,450
Restricted for:				
Other Purposes	37,381			37,381
Unrestricted		15,173	5,638	20,811
Total Net Assets	37,738	22,229	7,675	67,642
Total Liabilities and Net Assets	$42,610	$37,489	$8,468	$88,567

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
OPERATING REVENUES				
Sale of Goods and Services	$147,860	$135,017	$6,035	$288,912
Other Income	60	58		118
Total Operating Revenues	147,920	135,075	6,035	289,030
OPERATING EXPENSES				
Personnel Costs	2,450	9,951	3,116	15,517
Services and Supplies	18,937	78,237	3,083	100,257
Benefits, Awards, and Premiums	88,276			88,276
Depreciation	194	342	327	863
Other Expenses	345	3,641	27	4,013
Total Operating Expenses	110,202	92,171	6,553	208,926
Operating Income (Loss)	37,718	42,904	(518)	80,104
NONOPERATING REVENUES (EXPENSES)				
Investment Income	11	218	56	285
Interest Expense	(2)			(2)
Intergovernmental Distributions		(25,851)		(25,851)
Gain (Loss) on Sale of Capital Assets		2		2
Other Nonoperating Revenues (Expenses)		(6)		(6)
Total Nonoperating Revenues (Expenses)	9	(25,637)	56	(25,572)
Income (Loss) Before Transfers	37,727	17,267	(462)	54,532
Transfers Out	(35,000)	(17,044)		(52,044)
Change in Net Assets	2,727	223	(462)	2,488
Total Net Assets - Beginning of Year, as Restated	35,011	22,006	8,137	65,154
Total Net Assets - End of Year	$37,738	$22,229	$7,675	$67,642

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$147,329	$134,986	$3,041	$285,356
Receipts for Interfund Services			3,363	3,363
Payments to Suppliers	(19,423)	(75,365)	(2,809)	(97,597)
Payments to Employees	(2,438)	(9,955)	(3,199)	(15,592)
Payments for Interfund Services		(3,704)	(21)	(3,725)
Payments for Benefits, Awards, and Claims	(87,715)			(87,715)
Net Cash Provided (Used) by Operating Activities	37,753	45,962	375	84,090
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(24,429)		(24,429)
Transfers Out	(35,000)	(17,044)		(52,044)
Net Cash Provided (Used) by Noncapital Financing Activities	(35,000)	(41,473)		(76,473)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of Bonds and Notes	(48)			(48)
Interest Payments	(2)			(2)
Acquisition and Construction of Capital Assets	(111)	(1,666)	(84)	(1,861)
Net Cash Provided (Used) by Capital and Related Financing Activities	(161)	(1,666)	(84)	(1,911)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	11	218	56	285
Net Cash Provided (Used) by Investing Activities	11	218	56	285
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	2,603	3,041	347	5,991
Beginning Cash, Cash Equivalents, and Pooled Cash	36,926	15,486	3,735	56,147
Ending Cash, Cash Equivalents, and Pooled Cash	$39,529	$18,527	$4,082	$62,138
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$37,718	$42,904	($518)	$80,104
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	194	342	327	863
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	(592)	(89)	378	(303)
Inventories and Prepaid Items		330	(162)	168
Other Assets	(25)	(4)	(1)	(30)
Accounts Payable/Interfund Payables	499	2,479	(5)	2,973
Unearned Revenue			(9)	(9)
Compensated Absences		(41)	29	(12)
Other Accrued Liabilities	(41)	41	336	336
Net Cash Provided (Used) by Operating Activities	$37,753	$45,962	$375	$84,090

Noncash Transactions (dollars in thousands):
State Liquor disposed of capital assets at a loss of $6.

INTERNAL SERVICE FUNDS account for the state agencies which provide goods or services to other state agencies and governmental units on a cost-reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The Group Insurance Fund, created by Idaho Code, Section 67-5771, is administered by the Department of Administration. The fund accounts for health insurance for all state employees and optional coverage for dependents and retirees. The fund also provides life insurance and short and long-term disability coverage.

The Risk Management Fund, created by Idaho Code, Section 67-5776, accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and insurance purchased from commercial carriers.

The General Services Fund, created by Idaho Code, Sections 67-5703, 67-5744, and 67-3516, accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The Data Processing Services Fund, created by Idaho Code, Section 67-1021, accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

Combining Statement of Net Assets
Internal Service Funds
June 30, 2010
(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Pooled Cash and Investments	$79,444	$7,210	$5,730	$1,679	$94,063
Securities Lending Collateral	19,896	11,513			31,409
Accounts Receivable, Net			66		66
Interfund Receivables	17		97	529	643
Inventories and Prepaid Items		75	1,784	465	2,324
Loans, Notes, and Pledges Receivable, Net	26				26
Other Current Assets	143	83	1		227
Total Current Assets	99,526	18,881	7,678	2,673	128,758
Noncurrent Assets					
Restricted Cash and Cash Equivalents	16,865				16,865
Investments	26,720	15,462			42,182
Loans, Notes, and Pledges Receivable, Net	74				74
Other Noncurrent Assets			2	1	3
Capital Assets, Net	7	8	17,246	679	17,940
Total Noncurrent Assets	43,666	15,470	17,248	680	77,064
Total Assets	$143,192	$34,351	$24,926	$3,353	$205,822
LIABILITIES					
Current Liabilities					
Accounts Payable			$458		$458
Payroll and Related Liabilities	$11	$18	318	$177	524
Interfund Payables			7		7
Unearned Revenue	12,605		61		12,666
Obligations Under Securities Lending	19,896	11,513			31,409
Other Accrued Liabilities	4	3	173		180
Capital Leases Payable			149	125	274
Compensated Absences Payable	17	21	463	275	776
Bonds and Notes Payable			127		127
Policy Claim Liabilities	2,849	5,184			8,033
Total Current Liabilities	35,382	16,739	1,756	577	54,454
Noncurrent Liabilities					
Capital Leases Payable			345	52	397
Bonds and Notes Payable			3,207		3,207
Policy Claim Liabilities		8,923			8,923
Other Long-Term Obligations	5	8	126	60	199
Total Noncurrent Liabilities	5	8,931	3,678	112	12,726
Total Liabilities	35,387	25,670	5,434	689	67,180
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	7	8	13,418	502	13,935
Restricted for:					
Claims and Judgments	83,161				83,161
Unrestricted	24,637	8,673	6,074	2,162	41,546
Total Net Assets	107,805	8,681	19,492	2,664	138,642
Total Liabilities and Net Assets	$143,192	$34,351	$24,926	$3,353	$205,822

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	$211,874	$5,649	$19,888	$7,259	$244,670
Grants and Contributions	2,043		24		2,067
Other Income	2	361	55		418
Total Operating Revenues	213,919	6,010	19,967	7,259	247,155
OPERATING EXPENSES					
Personnel Costs	267	444	7,334	4,026	12,071
Services and Supplies	384	3,107	11,514	3,551	18,556
Benefits, Awards, and Premiums	196,339	2,021			198,360
Depreciation	1	2	1,689	365	2,057
Other Expenses	107	226	2,086	38	2,457
Total Operating Expenses	197,098	5,800	22,623	7,980	233,501
Operating Income (Loss)	16,821	210	(2,656)	(721)	13,654
NONOPERATING REVENUES (EXPENSES)					
Investment Income	2,847	1,090	86	27	4,050
Interest Expense	(31)	(17)	(197)	(16)	(261)
Gain (Loss) on Sale of Capital Assets			(5)	5	
Total Nonoperating Revenues (Expenses)	2,816	1,073	(116)	16	3,789
Income (Loss) Before Transfers	19,637	1,283	(2,772)	(705)	17,443
Transfers In			1,831		1,831
Transfers Out			(1,680)		(1,680)
Change in Net Assets	19,637	1,283	(2,621)	(705)	17,594
Total Net Assets - Beginning of Year, as Restated	88,168	7,398	22,113	3,369	121,048
Total Net Assets - End of Year	$107,805	$8,681	$19,492	$2,664	$138,642

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers		$149
Receipts for Interfund Services	$211,844	5,862
Receipts from Grants and Contributions	2,043	
Payments to Suppliers	(301)	(3,093)
Payments to Employees	(265)	(443)
Payments for Interfund Services	(190)	(238)
Payments for Benefits, Awards, and Claims	(197,418)	(3,739)
Net Cash Provided (Used) by Operating Activities	15,713	(1,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In		
Transfers Out		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of Bonds and Notes		
Capital Lease Payments		
Interest Payments		
Acquisition and Construction of Capital Assets		
Net Cash Provided (Used) by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	2,053	630
Purchase of Investments	(912)	(486)
Redemption of Investments	41	
Other Investing Activities	(30)	(17)
Net Cash Provided (Used) by Investing Activities	1,152	127
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	16,865	(1,375)
Beginning Cash, Cash Equivalents and Pooled Cash	79,444	8,585
Ending Cash, Cash Equivalents, and Pooled Cash	$96,309	$7,210
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$16,821	$210
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1	2
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(4)	
Inventories and Prepaid Items		1
Other Assets		1
Accounts Payable/Interfund Payables		
Unearned Revenue	(28)	
Compensated Absences	2	4
Policy Claim Liabilities	(1,079)	(1,718)
Other Accrued Liabilities		(2)
Net Cash Provided (Used) by Operating Activities	$15,713	($1,502)

Noncash Transactions (dollars in thousands):

Investments increased in fair value by $796 for Group Insurance and $461 for Risk Management. General Services disposed of capital assets at a loss of $5 and acquired capital assets by capital lease for $20. Data Processing Services recognized $5 in deferred revenue as a gain on sale of capital assets as part of a sale-leaseback agreement.

General Services	Data Processing Services	Total
$1,485	$1	$1,635
18,234	6,906	242,846
24		2,067
(11,872)	(2,821)	(18,087)
(7,266)	(3,993)	(11,967)
(2,002)	(42)	(2,472)
		(201,157)
(1,397)	51	12,865
1,831		1,831
(1,680)		(1,680)
151		151
(134)		(134)
(177)	(161)	(338)
(228)		(228)
(668)	(156)	(824)
(1,207)	(317)	(1,524)
86	27	2,796
		(1,398)
		41
		(47)
86	27	1,392
(2,367)	(239)	12,884
8,097	1,918	98,044
$5,730	$1,679	$110,928
($2,656)	($721)	$13,654
1,689	365	2,057
(64)	(93)	(161)
(193)	726	534
(2)	(1)	(2)
(88)		(88)
(160)	(259)	(447)
39	19	64
		(2,797)
38	15	51
($1,397)	$51	$12,865

FIDUCIARY FUNDS report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, deferred compensation plans, and other postemployment benefit plans. The State's pension trust funds include the following:

The PERSI Base Plan and **the Firefighters' Retirement Fund** are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to survivors of eligible members or beneficiaries.

The Judges' Retirement Fund provides retirement benefits to retired justices, judges, eligible administrative directors, and allowances to surviving spouses.

The Deferred Compensation Plan is an IRS Section 457(b) tax-advantaged trust fund that accounts for the resources contributed by individuals to fund their retirement.

The Defined Contribution 414(K) Plan and **the Defined Contribution 401(K) Plan** are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

The Sick Leave Insurance Reserve-State Fund and **the Sick Leave Insurance Reserve-Schools Fund** provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

INVESTMENT TRUST FUNDS account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

The Local Government Investment Pool accounts for the investments managed by the State Treasurer's Office for Local Government Investment Pool participants.

The Diversified Bond Fund accounts for the investments managed by the State Treasurer's Office for Diversified Bond Fund participants.

AGENCY FUNDS account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency funds:

The Custodial Fund accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

The Payroll Fund is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2010
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457
ASSETS				
Cash and Cash Equivalents	$1,111	$29	$191	
Pooled Cash and Investments	1,213	31	402	
Investments:				
Pooled Short Term	356,827	9,229		
Fixed Income Investments	2,389,879	61,809	16,839	$97,755
Marketable Securities	5,448,110	140,902	35,933	
Mutual Funds and Private Equities	744,389	19,252		126,207
Mortgages and Real Estate	778,564	20,136		
Other Investments				4,023
Receivables:				
Investments Sold	1,125,108	28,966		438
Contributions	4,031	13	54	46
Interest and Dividends	39,713	1,022	7	
Interfund Receivables				
Other Receivables			151	
Other Assets	42,838			
Capital Assets, Net	2,287			
Total Assets	10,934,070	281,389	53,577	228,469
LIABILITIES				
Accounts Payable	975		18	
Interfund Payables	1,638			
Investments Purchased	1,322,890	34,057		
Other Accrued Liabilities	8,675	217		
Total Liabilities	1,334,178	34,274	18	
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	9,599,892	247,115	53,559	228,469
Postemployment Healthcare Benefits				
Total Net Assets	$9,599,892	$247,115	$53,559	$228,469

Defined Contribution 414(k)	Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
	$55			$1,386
		$44	$75	1,765
	686			366,742
		24,829	40,460	2,631,571
		57,173	95,338	5,777,456
$53,584	287,227			1,230,659
				798,700
				4,023
				1,154,512
	272			4,416
215	922			41,879
		475	1,163	1,638
				151
		262	819	43,919
				2,287
53,799	289,162	82,783	137,855	12,061,104
				993
				1,638
				1,356,947
		10	16	8,918
		10	16	1,368,496
53,799	289,162			10,471,996
		82,773	137,839	220,612
$53,799	$289,162	$82,773	$137,839	$10,692,608

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457
ADDITIONS				
Contributions:				
Member	$178,124	$16	$338	$9,779
Employer	284,933	13,542	395	
Transfers In from Other Plans				8,708
Total Contributions	463,057	13,558	733	18,487
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	833,597	21,424	5,813	26,909
Interest, Dividends, and Other	242,875	6,257	1,264	3,680
Securities Lending Income			57	
Less Investment Expense:				
Investment Activity Expense	(42,395)	(1,092)	(131)	
Securities Lending Interest Expense			(44)	
Net Investment Income	1,034,077	26,589	6,959	30,589
Miscellaneous Income	12		1,634	
Total Additions	1,497,146	40,147	9,326	49,076
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	553,795	18,372	4,549	
Transfers Out to Other Plans				
Administrative Expense	6,471		122	7
Participant Withdrawals				9,105
Total Deductions	560,266	18,372	4,671	9,112
Change in Net Assets Held in Trust for:				
Employee Pension Benefits	936,880	21,775	4,655	39,964
Employee Postemployment Healthcare Benefits				
Net Assets - Beginning of Year, as Restated	8,663,012	225,340	48,904	188,505
Net Assets - End of Year	$9,599,892	$247,115	$53,559	$228,469

Defined Contribution 414(k)	Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
	$33,413			$221,670
	127	$5,791	$13,855	318,643
	4,868			13,576
	38,408	5,791	13,855	553,889
$4,877	20,858	9,319	15,562	938,359
1,359	6,246	536	882	263,099
				57
(191)	(101)	(41)	(68)	(44,019)
				(44)
6,045	27,003	9,814	16,376	1,157,452
		2	3	1,651
6,045	65,411	15,607	30,234	1,712,992
1,690	6,013	3,657	10,647	598,723
1,208	7,676			8,884
		39	65	6,704
				9,105
2,898	13,689	3,696	10,712	623,416
3,147	51,722			1,058,143
		11,911	19,522	31,433
50,652	237,440	70,862	118,317	9,603,032
$53,799	$289,162	$82,773	$137,839	$10,692,608

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2010
(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Investments:			
Pooled Short Term	$129,342	$5,983	$135,325
Fixed Income Investments	844,788	48,589	893,377
Mortgages and Real Estate		66,666	66,666
Securities Lending Collateral	671,334	90,273	761,607
Receivables:			
Interest and Dividends	875	656	1,531
Total Assets	1,646,339	212,167	1,858,506
LIABILITIES			
Accounts Payable	58	5	63
Obligations Under Securities Lending	671,334	90,273	761,607
Other Accrued Liabilities	303	342	645
Total Liabilities	671,695	90,620	762,315
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	974,644	121,547	1,096,191
Total Net Assets	$974,644	$121,547	$1,096,191

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions:			
Participant Deposits	$2,390,620	$28,002	$2,418,622
Total Contributions	2,390,620	28,002	2,418,622
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(390)	3,056	2,666
Interest, Dividends, and Other	3,584	4,517	8,101
Securities Lending Income	2,170	189	2,359
Less Investment Expense:			
Investment Activity Expense	(444)	(235)	(679)
Securities Lending Interest Expense	(2,043)	(172)	(2,215)
Net Investment Income	2,877	7,355	10,232
Total Additions	2,393,497	35,357	2,428,854
DEDUCTIONS			
Earnings Distribution	3,294	3,601	6,895
Participant Withdrawals	2,900,849	10,988	2,911,837
Total Deductions	2,904,143	14,589	2,918,732
Change in Net Assets Held in Trust for:			
External Investment Pool Participants	(510,646)	20,768	(489,878)
Net Assets - Beginning of Year	1,485,290	100,779	1,586,069
Net Assets - End of Year	$974,644	$121,547	$1,096,191

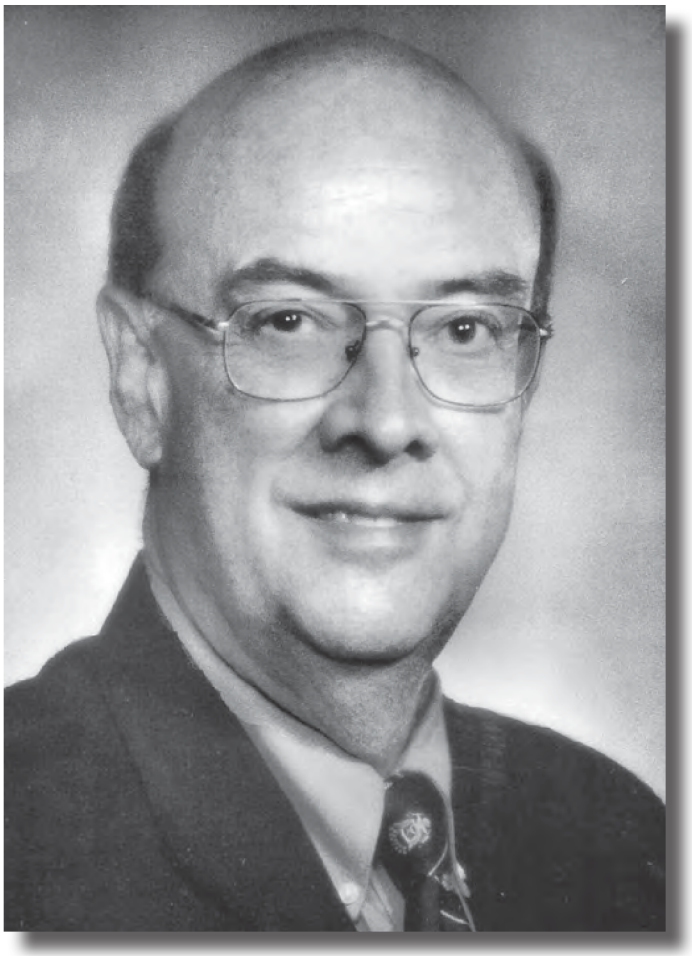
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2010
(dollars in thousands)

	Custodial	Payroll	Total
ASSETS			
Cash and Cash Equivalents	$5,452		$5,452
Pooled Cash and Investments	21,907	$1,934	23,841
Investments:			
Fixed Income Investments	242,005		242,005
Total Assets	$269,364	$1,934	$271,298
LIABILITIES			
Payroll and Related Liabilities		$1,934	$1,934
Due to Other Entities	$576		576
Amounts Held in Trust for Others	267,999		267,999
Other Accrued Liabilities	789		789
Total Liabilities	$269,364	$1,934	$271,298

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
CUSTODIAL				
Assets				
Cash and Cash Equivalents	$5,418	$5,451	$5,417	$5,452
Pooled Cash and Investments	23,753	190,677	192,523	21,907
Fixed Income Investments	233,815	242,005	233,815	242,005
Interest and Dividends	3		3	
Total Assets	$262,989	$438,133	$431,758	$269,364
Liabilities				
Due to Other Entities	$597	$6,461	$6,482	$576
Amounts Held in Trust for Others	261,238	352,160	345,399	267,999
Other Accrued Liabilities	1,154	35,672	36,037	789
Total Liabilities	$262,989	$394,293	$387,918	$269,364
PAYROLL				
Assets				
Pooled Cash and Investments	$1,805	$1,224,559	$1,224,430	$1,934
Total Assets	$1,805	$1,224,559	$1,224,430	$1,934
Liabilities				
Payroll and Related Liabilities	$1,805	$1,796,758	$1,796,629	$1,934
Total Liabilities	$1,805	$1,796,758	$1,796,629	$1,934
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	$5,418	$5,451	$5,417	$5,452
Pooled Cash and Investments	25,558	1,415,236	1,416,953	23,841
Fixed Income Investments	233,815	242,005	233,815	242,005
Interest and Dividends	3		3	
Total Assets	$264,794	$1,662,692	$1,656,188	$271,298
Liabilities				
Payroll and Related Liabilities	$1,805	$1,796,758	$1,796,629	$1,934
Due to Other Entities	597	6,461	6,482	576
Amounts Held in Trust for Others	261,238	352,160	345,399	267,999
Other Accrued Liabilities	1,154	35,672	36,037	789
Total Liabilitites	$264,794	$2,191,051	$2,184,547	$271,298

Statistical Section



The Office of the State Controller was not always known as such. In 1994 Idaho citizens adopted an amendment to the Idaho Constitution changing some duties of the State Auditor and renaming the office as "State Controller." Under previous laws, the State Auditor was responsible for paying all of the State's bills and auditing his own books. New requirements from the federal General Accounting Office made the auditing practice unacceptable for any state receiving federal dollars. **J.D. Williams**, State Controller from 1989 to 2002, complemented this amendment by bringing the State into compliance with generally accepted accounting principles (GAAP).

Idaho State Controller's Office Photo

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Miscellaneous Statistics – This information may provide the reader with more insight into the State's financial and demographic status.

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Report.

Schedule 1 - Net Assets by Component

Fiscal Years 2002-2010

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	$3,563,662	$3,681,836	$3,820,843	$4,043,883	$4,244,622	$4,467,319
Restricted[1]	995,178	1,032,921	1,219,013	1,244,363	1,343,427	1,762,246
Unrestricted[2]	333,330	220,604	342,847	571,337	849,405	955,513
Total Governmental Activities Net Assets	**$4,892,169**	**$4,935,360**	**$5,382,702**	**$5,859,583**	**$6,437,454**	**$7,185,079**
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	$395,040	$420,923	$413,842	$449,889	$469,958	$516,267
Restricted[3]	602,218	653,739	637,531	619,352	720,721	813,880
Unrestricted[4]	109,473	33,872	84,174	146,942	163,636	189,577
Total Business-Type Activities Net Assets	**$1,106,731**	**$1,108,534**	**$1,135,547**	**$1,216,183**	**$1,354,315**	**$1,519,724**
Primary Government						
Invested in Capital Assets, Net of Related Debt	$3,958,702	$4,102,759	$4,234,684	$4,493,772	$4,714,580	$4,983,586
Restricted	1,597,396	1,686,660	1,856,544	1,863,715	2,064,148	2,576,126
Unrestricted	442,803	254,476	427,021	718,279	1,013,041	1,145,090
Total Primary Government Net Assets	**$5,998,901**	**$6,043,894**	**$6,518,249**	**$7,075,766**	**$7,791,769**	**$8,704,802**

NOTE: The State implemented GASB Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

[1]In fiscal year 2009 governmental activities' restricted net assets decreased mainly due to the national recession and the decrease in fair market value of investments, primarily related to the Endowment fund. In fiscal year 2008 governmental activities' restricted net assets increased mainly due to increased operating grants for health care assistance, education, and infrastructure. In fiscal year 2007 governmental activities' restricted net assets increased mainly due to Endowment fund investment income, receipts from timber sales and land leases, and increased operating grants for health care assistance and infrastructure.

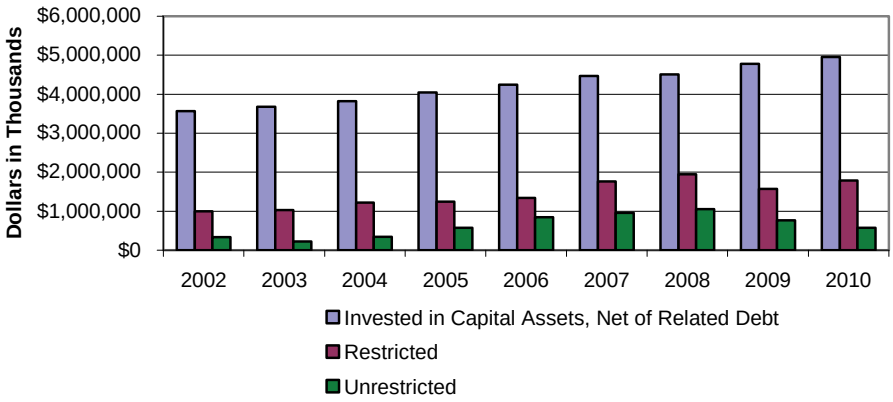
[2]In fiscal years 2010 and 2009 the governmental activities' unrestricted net assets decreased primarily due to a decrease in individual and sales tax revenues. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property tax by shifting public schools' maintenance and operating expenses from counties to the state. In fiscal year 2006 unrestricted net assets increased mainly due to an increase in individual and corporate income taxes. In fiscal years 2005 and 2004 the unrestricted net assets increased due to a temporary sales tax increase and a strengthening economy. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet the State's current year obligations.

[3]In fiscal year 2009 business-type activities' restricted net assets decreased mainly due to increased unemployment compensation benefits resulting from the economic downturn. In fiscal years 2007 and 2006 business-type activities' restricted net assets increased mainly due to increases in unemployment compensation assessments and decreases in unemployment claims.

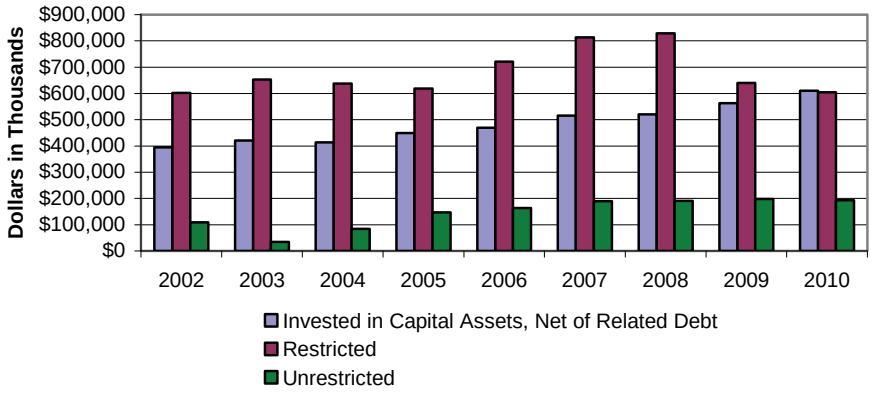
[4]In fiscal year 2005 business-type activities' unrestricted net assets increased primarily due to increased student tuition and fees for the colleges and universities. In fiscal year 2004 unrestricted net assets increased due to grant revenues for colleges and universities. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet current year obligations.

2008 (as restated)	2009 (as restated)	2010
$4,511,545	$4,782,892	$4,953,158
1,950,191	1,573,417	1,784,243
1,052,145	762,203	578,255
$7,513,881	**$7,118,512**	**$7,315,656**
$520,632	$562,915	$610,890
829,375	640,725	604,989
190,656	198,573	193,027
$1,540,663	**$1,402,213**	**$1,408,906**
$5,032,176	$5,345,806	$5,564,048
2,779,566	2,214,142	2,389,232
1,242,801	960,776	771,282
$9,054,543	**$8,520,724**	**$8,724,562**

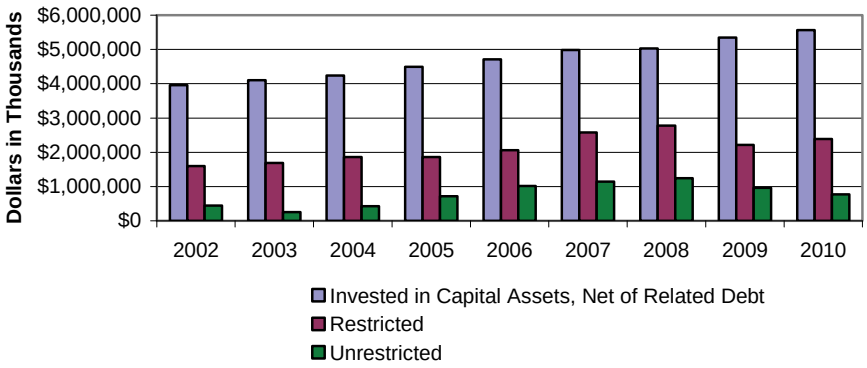
Governmental Activities Net Assets by Component
Fiscal Years 2002-2010



Business-Type Activities Net Assets by Component
Fiscal Years 2002-2010



Primary Government Net Assets by Component
Fiscal Years 2002-2010



Schedule 2 - Changes in Net Assets

Fiscal Years 2002-2010

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)
Governmental Activities:						
Expenses						
General Government	$339,024	$305,709	$349,990	$393,172	$420,772	$403,506
Public Safety and Correction	239,336	238,050	241,550	229,158	266,036	285,669
Health and Human Services	1,242,566	1,347,997	1,507,865	1,600,692	1,676,706	1,750,187
Education	1,244,030	1,252,020	1,287,879	1,331,795	1,385,448	1,704,447
Economic Development	577,468	587,152	600,341	616,149	629,499	673,234
Natural Resources	215,537	170,761	186,594	205,635	213,599	217,222
Interest Expense	16,652	18,911	16,556	18,175	21,130	32,232
Total Expenses	3,874,613	3,920,600	4,190,775	4,394,776	4,613,190	5,066,497
Program Revenues						
Charges for Services:						
General Government	70,953	97,188	133,855	96,174	92,873	77,750
Economic Development	198,706	197,041	198,643	203,550	215,735	239,728
Natural Resources	115,256	122,034	123,613	123,183	146,481	145,349
Other Activities	85,886	102,874	103,702	118,346	117,865	135,765
Operating Grants and Contributions[1]	1,230,063	1,461,507	1,787,214	1,832,487	1,899,754	2,045,958
Capital Grants and Contributions	3,564	1,882	3,284	5,211	8,624	1,481
Total Program Revenues	1,704,428	1,982,526	2,350,311	2,378,951	2,481,332	2,646,031
Total Governmental Activities Net Program Expense	(2,170,185)	(1,938,074)	(1,840,464)	(2,015,825)	(2,131,858)	(2,420,466)
General Revenues and Other Changes in Net Assets						
Taxes:						
Sales Tax[2]	789,110	860,526	1,039,746	1,135,210	1,061,861	1,296,040
Individual and Corporate Taxes[3]	877,594	922,790	991,520	1,167,799	1,428,996	1,605,218
Fuel Tax	231,105	223,515	215,096	220,801	224,373	232,025
Other Taxes	133,329	160,935	182,606	185,375	182,112	185,748
Tobacco Settlement	26,602	23,772	23,004	23,145	21,404	27,328
Grants Not Restricted to Specific Programs			50,007			
Unrestricted Investment Earnings	21,008	13,457	12,020	15,595	34,734	35,430
Transfers	(228,921)	(223,729)	(226,193)	(255,219)	(243,751)	(213,699)
Total General Revenues and Other Changes in Net Assets	1,849,827	1,981,266	2,287,806	2,492,706	2,709,729	3,168,090
Total Governmental Activities Change in Net Assets	**($320,358)**	**$43,192**	**$447,342**	**$476,881**	**$577,871**	**$747,624**
Business-Type Activities:						
Expenses						
College and University	$665,908	$667,324	$699,674	$753,689	$780,066	$815,373
Unemployment Compensation[4]	182,343	179,423	164,950	142,862	109,113	109,338
Loan	1,369	1,072	913	654	719	954
State Lottery	71,848	76,310	85,046	89,424	97,605	99,307
State Liquor	64,593	68,664	75,747	79,817	93,204	105,126
Correctional Industries	6,053	5,427	5,835	5,655	6,239	6,852
Total Expenses	992,114	998,220	1,032,165	1,072,101	1,086,946	1,136,950
Revenues						
Charges for Services:						
College and University	192,388	243,292	250,417	283,463	315,924	341,823
Unemployment Compensation[4]	153,031	124,379	130,789	143,828	159,365	191,758
State Lottery	89,228	98,267	109,443	113,613	131,305	130,811
Other Activities	86,184	89,833	96,490	108,600	124,600	142,193
Operating Grants and Contributions	174,575	198,007	222,013	228,049	229,902	227,620
Capital Grants and Contributions	42,488	22,515	23,833	19,965	20,231	54,455
Total Revenues	737,894	776,293	832,985	897,518	981,327	1,088,660
Total Business-Type Activities Net Program Expense	(254,220)	(221,927)	(199,180)	(174,583)	(105,619)	(48,290)
General Revenues and Other Changes in Net Assets						
Transfers	271,104	223,729	226,193	255,219	243,751	213,699
Total General Revenues and Other Changes in Net Assets	271,104	223,729	226,193	255,219	243,751	213,699
Total Business-Type Activities Change in Net Assets	**$16,884**	**$1,802**	**$27,013**	**$80,636**	**$138,132**	**$165,409**
Total Primary Government Change in Net Assets	**($303,474)**	**$44,994**	**$474,355**	**$557,517**	**$716,003**	**$913,033**

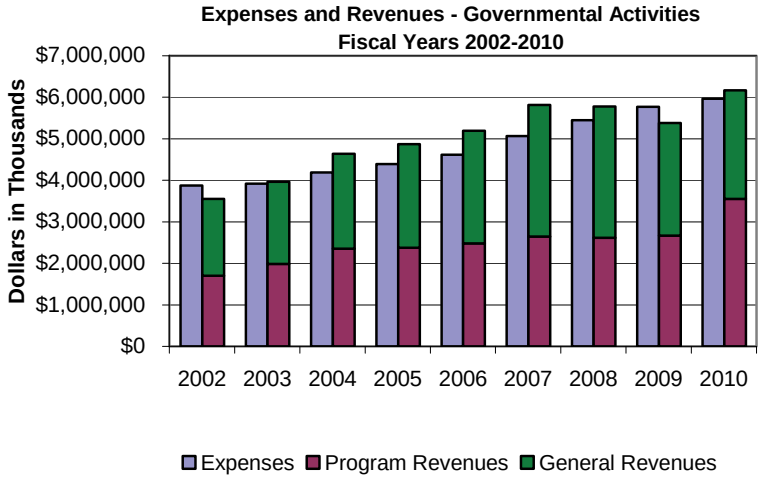
[1] In fiscal year 2010 operating grants and contributions increased due to the American Recovery and Reinvestment Act benefiting health, transportation, education, and natural resources.

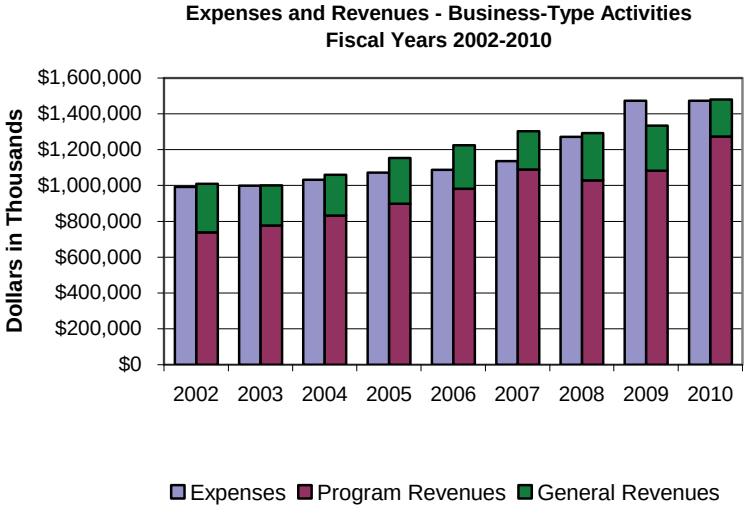
[2] In fiscal years 2010 and 2009 state sales tax revenues decreased due to the recession and decreased levels of employment and personal income. In fiscal year 2007 the state sales tax increased from 5 to 6 percent. The state sales tax increased from 5 to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005.

[3] In fiscal years 2010 and 2009 individual and corporate income taxes decreased due to the recession and decreased levels of employment and personal income. In fiscal years 2007 and 2006 individual and corporate income taxes increased due to increased levels of employment and personal income.

[4] In fiscal year 2010 unemployment compensation revenues increased due to federal grant revenue for unemployment benefits. In fiscal years 2009 and 2008 unemployment compensation expenses increased due to higher unemployment claims.

2008 (as restated)	2009 (as restated)	2010
$463,125	$450,875	$548,757
324,843	326,125	320,423
1,818,932	2,115,148	2,182,592
1,796,160	1,850,258	1,830,608
756,677	743,811	799,054
243,925	241,108	241,508
45,530	46,767	45,782
5,449,192	5,774,092	5,968,724
119,443	93,376	79,833
258,576	256,184	239,107
150,752	133,138	127,037
128,367	138,276	166,848
1,955,236	2,034,795	2,935,393
906	8,892	4,660
2,613,280	2,664,661	3,552,878
(2,835,912)	(3,109,431)	(2,415,846)
1,334,032	1,177,106	1,127,013
1,599,881	1,320,968	1,242,032
228,786	214,113	221,142
185,874	186,489	186,130
28,631	31,094	26,120
51,537	36,139	16,800
(264,027)	(251,847)	(206,246)
3,164,714	2,714,062	2,612,991
$328,802	**($395,369)**	**$197,145**
$875,586	$896,993	$898,012
171,918	338,600	331,116
2,267	5,910	9,624
102,065	105,780	110,204
112,476	117,185	118,022
7,574	8,323	6,553
1,271,886	1,472,791	1,473,531
337,699	339,989	368,504
126,575	130,879	255,278
137,664	140,316	147,931
152,428	156,483	156,407
244,954	293,673	301,764
29,478	21,154	44,094
1,028,798	1,082,494	1,273,978
(243,088)	(390,297)	(199,553)
264,027	251,847	206,246
264,027	251,847	206,246
$20,939	**($138,450)**	**$6,693**
$349,741	**($533,819)**	**$203,838**





Schedule 3 - Fund Balances - Governmental Funds

Fiscal Years 2001-2010

(modified accrual basis of accounting, dollars in thousands)

	2001	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)
General Fund							
Reserved[1]	$55,064	$40,311	$16,248	$33,012	$28,703	$30,404	$98,908
Unreserved[2]	519,321	277,578	158,844	290,874	497,605	744,413	985,312
Total General Fund[3]	574,385	317,889	175,092	323,886	526,308	774,817	1,084,220
All Other Governmental Funds							
Reserved[4]	70,819	722,033	784,150	893,308	911,390	985,836	1,231,429
Unreserved, Reported in:							
Special Revenue Funds[5]	250,225	255,214	248,629	273,142	271,410	261,256	314,840
Capital Projects							25
Permanent Funds[6]		15,886	11,495	28,421	53,992	94,651	163,125
Total All Other Governmental Funds	321,044	993,133	1,044,274	1,194,871	1,236,792	1,341,743	1,709,419
Total Fund Balances - Governmental Funds	**$895,429**	**$1,311,022**	**$1,219,366**	**$1,518,757**	**$1,763,100**	**$2,116,560**	**$2,793,639**

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

[1]In fiscal year 2007 the General Fund reserved fund balance increased due to funding of the Millennium Permanent Endowment fund and the Capitol restoration project.

[2]In fiscal year 2010 the General Fund unreserved fund balance decreased due to decreased revenue from individual and corporate income tax and sales tax revenue. In fiscal year 2009 the decrease is due to decreased revenue from individual and corporate income tax, sales tax revenue, and investment income. In fiscal year 2008 the increase is mainly attributable to increased sales tax revenue, sales of goods and services, and investment income. In fiscal year 2007 the increase is mainly attributable to increased sales tax and individual income tax revenues. In fiscal year 2006 the increase is mainly attributable to increased personal and corporate income tax revenues. The increases in fiscal years 2005 and 2004 were due to a temporary sales tax increase and a strengthening economy.

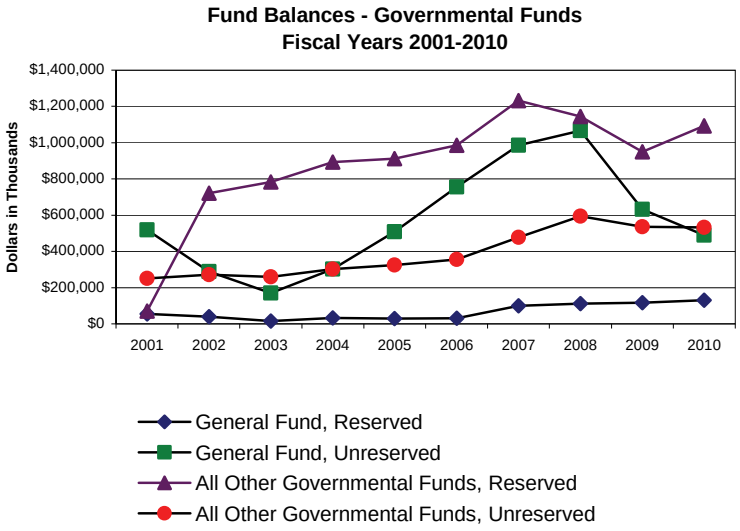
[3]In fiscal years 2010, 2009, 2003, and 2002 Idaho's economy suffered during a national recession, as reflected in the decreased General Fund balances.

[4]In fiscal year 2010 the other governmental funds reserved fund balance increased primarily due to an increase in Endowment fund investment income. In fiscal years 2009 and 2008 the decrease is mainly due to a decrease in the fair market value of Endowment fund investments. In fiscal year 2007 the increase is mainly due to increased Endowment fund investment income and bond issuance by the Idaho State Building Authority.

[5]In fiscal years 2008 and 2007 the increase in the unreserved special revenue funds balance was due to an increase in operating grants and contributions to Health and Welfare and the Idaho Transportation Department.

[6]In fiscal year 2009 the decrease in the unreserved permanent funds balance was primarily due to the national recession and the resultant decrease in the fair value of investments, mainly relating to the Endowment fund. In fiscal years 2007 and 2006 the increase was due primarily to expendable Endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2002 the Land Endowments fund was reclassified from a non-expendable trust fund to a permanent fund.

2008 (as restated)	2009 (as restated)	2010
$112,341	$116,619	$130,491
1,067,000	631,397	489,697
1,179,341	748,016	620,188
1,144,757	950,515	1,092,047
400,535	378,929	363,581
51	145	10
194,335	156,349	168,136
1,739,678	1,485,938	1,623,774
$2,919,019	**$2,233,954**	**$2,243,962**



Schedule 4 - Changes in Fund Balances - Governmental Funds

Fiscal Years 2001-2010

(modified accrual basis of accounting, dollars in thousands)

	2001	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)
Revenues							
Sales Tax[1]	$778,162	$778,028	$864,509	$1,040,448	$1,137,138	$1,060,612	$1,300,416
Individual and Corporate Taxes[2]	1,171,467	889,746	904,204	997,454	1,176,903	1,436,168	1,598,702
Other Taxes	412,171	362,546	387,820	397,950	406,620	406,336	417,763
Licenses, Permits, and Fees	214,509	212,733	230,599	240,323	244,165	256,900	273,223
Sale of Goods and Services	112,987	173,220	181,049	252,291	231,728	235,410	235,750
Grants and Contributions[3]	1,264,609	1,330,474	1,447,574	1,719,520	1,757,713	1,806,749	1,880,049
Investment Income[4]	96,525	(52,315)	49,681	135,718	104,557	144,559	225,717
Tobacco Settlement	22,441	26,602	23,772	22,848	23,151	21,253	23,712
Other Income	34,799	46,641	79,033	47,658	48,047	47,606	65,538
Total Revenues	4,107,670	3,767,675	4,168,241	4,854,210	5,130,022	5,415,593	6,020,870
Expenditures							
General Government	253,747	127,440	104,109	122,876	143,584	147,445	151,358
Public Safety and Correction	233,793	218,142	212,878	219,417	233,598	253,504	269,874
Health and Human Services	1,078,943	1,206,910	1,315,668	1,468,736	1,561,765	1,641,421	1,701,863
Education[5]	1,226,922	1,219,332	1,240,835	1,279,486	1,324,069	1,379,775	1,683,254
Economic Development	436,532	326,868	347,280	307,312	346,256	358,814	368,439
Natural Resources	135,682	162,199	147,630	163,769	178,401	188,784	186,179
Capital Outlay[6]	401,518	353,389	401,279	436,133	433,096	423,582	452,755
Intergovernmental Revenue Sharing	259,360	342,501	315,444	385,698	393,195	425,414	441,421
Debt Service:							
Principal		4,850	6,915	8,061	10,880	10,751	12,403
Interest		11,587	12,511	8,069	17,671	20,736	25,576
Total Expenditures	4,026,497	3,973,218	4,104,549	4,399,557	4,642,515	4,850,226	5,293,122
Revenues Over (Under) Expenditures	81,173	(205,543)	63,692	454,653	487,507	565,367	727,748
Other Financing Sources (Uses)							
Bonds and Notes Issued	5,856	16,440	64,145	64,795	26	10,790	155,463
Premium/(Discount) on Bonds Issued		(144)	(763)	(864)		(23)	6,533
Capital Lease Acquisitions	669	8			3,757	5,697	
Payment to Refunded Bond Escrow Agent							(4,765)
Sale of Capital Assets				6,909	8,037	17,193	7,066
Transfers In	484,088	547,785	525,453	553,181	594,877	640,776	713,275
Transfers Out	(458,235)	(776,385)	(744,183)	(779,283)	(849,861)	(886,340)	(928,241)
Total Other Financing Sources (Uses)	32,378	(212,296)	(155,348)	(155,262)	(243,164)	(211,907)	(50,669)
Net Changes in Fund Balances	**$113,551**	**($417,839)**	**($91,656)**	**$299,391**	**$244,343**	**$353,460**	**$677,079**
Debt Service as a Percentage of Noncapital Expenditures		<1	<1	<1	<1	<1	<1

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

[1]In fiscal years 2010 and 2009 sales tax revenue decreased due to the national recession and decreased levels of employment and personal income. On October 1, 2006, the state sales tax rate increased from 5 to 6 percent. From May 1, 2003, to July 1, 2005, the Legislature imposed a temporary sales tax increase from 5 to 6 percent.

[2]In fiscal years 2010 and 2009 individual and corporate income taxes decreased due to the national recession and decreased levels of employment and personal income. In fiscal years 2007 and 2006 individual and corporate income taxes increased due to increased levels of employment and personal income. In fiscal years 2002 individual and corporate income taxes decreased due to a structural reduction in the state tax base and the national recession.

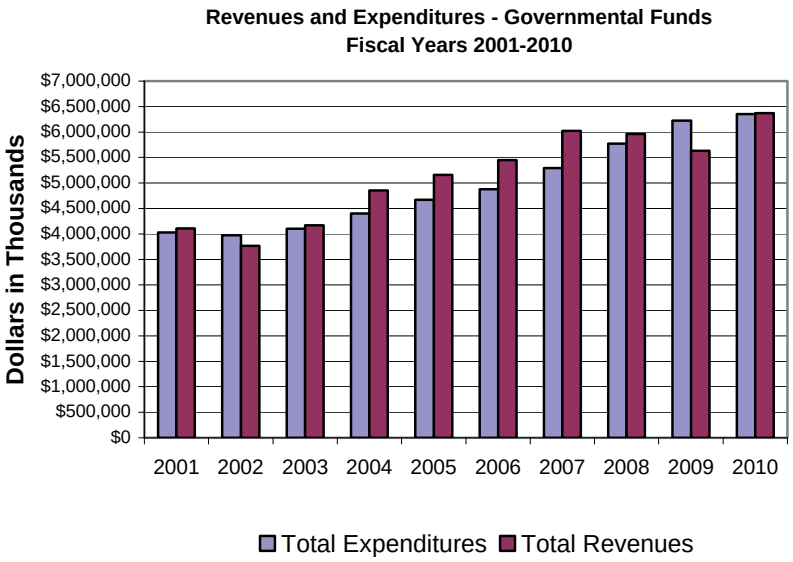
[3]In fiscal years 2010 and 2009 grants and contributions increased primarily due to federal grants for health, transportation, and education.

[4]In fiscal years 2010, 2007, and 2006 investment income increased primarily due to an increase in fair value of investments to the Endowment fund. In fiscal years 2009 and 2008 the decrease is due to the decrease in fair market value of the Endowment fund. The loss for fiscal year 2002 was due to the effects of the national recession and the resultant decrease in the fair value of investments, mainly relating to the Endowment fund.

[5]From fiscal years 2007 to 2009 education expenses increased due to an increased public school distribution for facilities improvements, salaries, and operating expenses.

[6]From fiscal years 2008 to 2010 capital outlay expense increased mainly due to transportation infrastructure and state building expenses.

2008 (as restated)	2009 (as restated)	2010
$1,333,018	$1,174,802	$1,122,384
1,587,694	1,325,996	1,228,463
414,671	398,639	409,924
279,156	277,354	275,018
231,885	232,526	228,220
1,962,931	2,251,714	2,808,307
63,406	(123,820)	191,596
28,504	30,965	25,990
61,530	61,943	78,565
5,962,795	5,630,119	6,368,467
177,312	186,119	208,784
300,106	305,141	284,457
1,775,609	2,096,507	2,201,538
1,777,690	1,843,401	1,810,276
390,424	406,694	416,776
217,214	212,398	214,291
545,059	634,187	677,097
452,089	436,866	459,716
92,377	55,645	33,222
45,365	49,368	46,648
5,773,245	6,226,326	6,352,805
189,550	(596,207)	15,662
187,603	152,641	163,562
1,039	22	23,745
11,590	11,947	13,436
731,774	700,654	630,563
(996,176)	(954,122)	(836,960)
(64,170)	(88,858)	(5,654)
$125,380	**($685,065)**	**$10,008**
2.5	1.8	1.3



Schedule 5 - Revenue Base

Fiscal/Calendar Years 2001-2010 *(dollars in thousands)*

Taxable Sales by Industry	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
Commercial Farms	$5,449	$8,020	$7,674	$7,265	$8,687	$10,093	$11,416
Agricultural/Forestry, Fishing, and Other	58,662	70,264	73,489	75,997	85,183	99,736	124,479
Mining	32,138	35,884	39,280	47,589	53,612	67,655	72,407
Construction	273,933	327,244	322,652	315,977	410,645	484,901	572,823
Manufacturing	994,325	1,063,164	1,150,728	1,012,159	1,026,589	998,714	1,403,805
Transportation and Public Utilities	224,342	247,881	176,603	226,260	253,306	250,375	347,677
Wholesale Trade	874,526	948,927	1,004,481	1,063,094	1,246,743	1,481,922	1,766,289
Retail Trade	9,567,159	11,020,633	11,386,198	11,968,267	12,769,055	14,083,361	15,364,551
Finance, Insurance, and Real Estate	171,804	133,105	123,765	116,476	117,091	153,983	149,466
Services	1,615,100	1,873,229	1,858,090	1,855,726	1,884,819	2,105,191	2,330,698
State and Local Government	394,094	1,720,162	523,861	620,550	671,249	690,509	782,729
Total Taxable Sales	**$14,211,532**	**$17,448,513**	**$16,666,821**	**$17,309,360**	**$18,526,979**	**$20,426,440**	**$22,926,340**
Direct Sales Tax Rate	5.0%	5.0%	5.0%	6.0%	6.0%	5.0%	6.0%

Personal Income by Industry[1]	Calendar Year						
	2001	2002	2003	2004	2005	2006	2007
Farm Earnings	$1,121,867	$1,094,029	$853,475	$1,370,378	$1,209,171	$1,129,996	$1,627,595
Agricultural/Forestry, Fishing, and Other	320,498	315,963	311,852	347,275	352,745	381,640	387,831
Mining	104,102	99,860	111,190	129,387	145,498	180,718	206,986
Construction/Utilities	2,469,077	2,380,088	2,433,930	2,671,124	2,971,297	3,462,028	3,617,086
Manufacturing	3,348,504	3,289,381	3,325,732	3,515,565	3,667,712	4,030,293	4,113,544
Transportation	852,178	842,131	878,879	949,526	1,020,940	1,089,850	1,120,996
Wholesale Trade	1,164,174	1,158,540	1,195,791	1,279,156	1,425,072	1,542,607	1,696,942
Retail Trade	2,134,526	2,245,973	2,389,110	2,513,468	2,757,319	3,013,076	3,051,669
Finance, Insurance, and Real Estate	1,416,796	1,479,541	1,574,893	1,648,575	1,804,507	2,021,876	1,951,935
Services	7,881,306	8,407,030	8,759,936	9,503,513	10,059,977	11,209,986	11,796,896
Federal, Civilian	842,212	885,750	932,515	1,020,959	1,043,528	1,096,496	1,126,521
Military	332,180	401,775	455,666	506,021	533,821	539,547	573,880
State and Local Government	3,346,996	3,542,169	3,676,865	3,880,019	4,056,479	4,244,318	4,420,512
Other[2]	8,542,725	8,763,280	9,164,875	10,209,395	11,134,860	12,290,624	13,408,447
Total Personal Income	**$33,877,141**	**$34,905,510**	**$36,064,709**	**$39,544,361**	**$42,182,926**	**$46,233,055**	**$49,100,840**
Total Direct Personal Income Tax Rate	7.6%	7.6%	7.6%	7.6%	7.7%	7.7%	7.7%

Corporate Income by Category[3]	Calendar Year						
	2001	2002	2003	2004	2005	2006	2007
Corporations	($1,677,005)	($1,889,357)	($233,472)	$62,838	$54,837	$6,080	$146,513
Sub-S Corporations	39,893	28,494	39,253	74,857	126,174	87,233	72,520
Partnerships	(241,506)	(159,037)	(22,093)	(16,627)	(2,182)	(1,257)	(82,978)
Fiduciary	(10,005)	(26,256)	(120,714)	23,806	57,112	42,999	70,944
Total Corporate Income	**($1,888,623)**	**($2,046,156)**	**($337,026)**	**$144,874**	**$235,941**	**$135,055**	**$206,999**
Direct Corporate Income Tax Rate	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%

Vehicle Fuel Sales by Category[3] *(in thousands of gallons)*	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
Diesel		228,171	230,162	239,784	241,079	258,715	284,009
Gasoline		612,947	617,800	629,499	625,453	636,565	647,363
Propane		147	135	138	98	77	62
Natural Gas[4]		12	15	12	16	13	
Aviation		3,021	2,778	2,926	2,512	2,512	2,598
Jet		30,081	29,401	26,921	28,250	31,038	33,591
Total Fuel Sales		**874,379**	**880,291**	**899,280**	**897,408**	**928,920**	**967,623**
Total Direct Fuel Tax Rate *(per gallon of fuel)*		$0.242	$0.243	$0.243	$0.243	$0.243	$0.242

Sources: Taxable sales, corporate income, and vehicle fuel sales--Idaho State Tax Commission; Personal income--U.S. Bureau of Economic Analysis and the Idaho State Tax Commission.

[1]Personal income data for calendar years 2010 and 2009 are estimates. The U.S. Bureau of Economic Analysis revised personal income amounts back to calendar year 2001 to reflect revisions to the national income and product accounts and to incorporate newly available state-level source data.

[2]Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

[3]Corporate income data is currently not available for calendar years 2010 and 2009; vehicle fuel sales data is not available for fiscal year 2001.

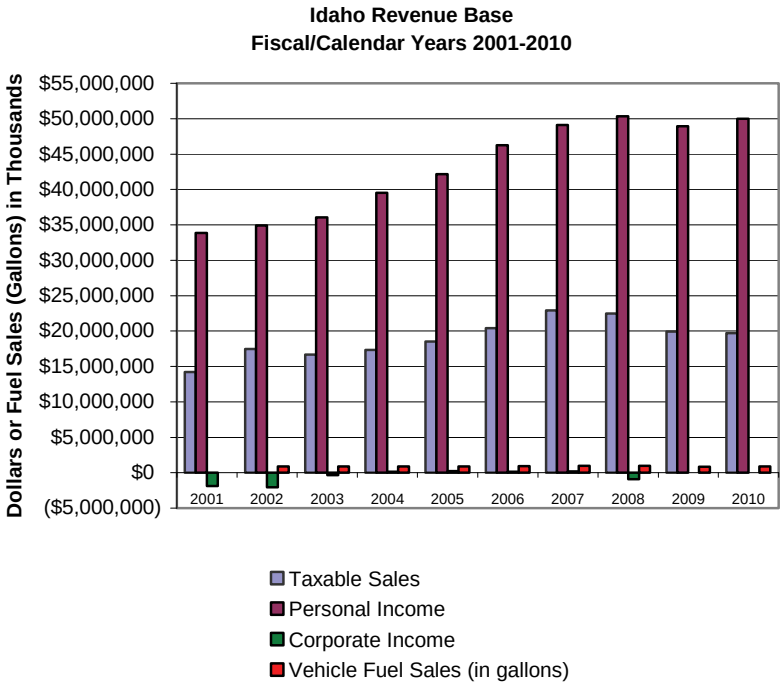
[4]The natural gas distributors reported no vehicle fuel sales for fiscal years 2007 through 2010.

2008	2009	2010
$11,679	$10,055	$9,005
127,115	111,833	101,936
74,440	54,148	43,224
583,884	486,661	427,769
1,050,425	813,738	755,948
390,536	361,449	361,995
1,870,820	1,679,196	1,632,262
14,963,180	13,418,803	13,360,965
155,363	143,607	136,907
2,409,065	2,161,247	2,213,003
817,606	703,459	680,446
$22,454,113	**$19,944,196**	**$19,723,461**
6.0%	6.0%	6.0%

2008	2009	2010
$1,867,622	$1,274,489	$1,435,000
366,199	346,972	370,000
246,850	196,658	261,000
3,078,391	2,383,525	2,397,000
3,951,985	3,525,132	3,527,000
1,142,964	1,109,490	1,132,000
1,684,959	1,606,315	1,627,000
2,908,317	2,713,465	2,734,000
1,862,721	1,792,791	1,798,000
12,075,858	12,020,970	12,209,000
1,150,816	1,200,775	1,196,000
613,786	660,789	677,000
4,660,668	4,738,148	4,766,000
14,747,078	15,355,327	15,850,000
$50,358,214	**$48,924,846**	**$49,979,000**
7.6%	NA	NA

2008	2009	2010
($759,563)	NA	NA
(35,677)	NA	NA
(125,039)	NA	NA
22,495	NA	NA
($897,784)	**NA**	**NA**
7.6%	7.6%	7.6%

2008	2009	2010
282,616	237,206	236,002
636,125	584,872	632,004
53	107	32
2,461	1,864	1,814
36,217	29,697	23,347
957,472	**853,746**	**893,199**
$0.242	$0.243	$0.245



Schedule 6 - Revenue Rates

Fiscal/Calendar Years 2001-2010

Personal Income Tax Rates[1]

	Calendar Year						
	2001[2]	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Tax Rates on the Portion of Taxable Income in Ranges							
Tax Rate	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels (S, MFS)[3]	$0-1,056	$0-1,087	$0-1,104	$0-1,129	$0-1,159	$0-1,197	$0-1,236
Income Levels (MFJ, HoH, QW)[3]	$0-2,112	$0-2,174	$0-2,208	$0-2,258	$0-2,318	$0-2,395	$0-2,474
Tax Rate	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels (S, MFS)	$1,057-2,113	$1,088-2,173	$1,105-2,207	$1,130-2,258	$1,160-2,318	$1,198-2,395	$1,237-2,473
Income Levels (MFJ, HoH, QW)	$2,113-4,226	$2,175-4,346	$2,209-4,414	$2,259-4,516	$2,319-4,636	$2,396-4,791	$2,475-4,948
Tax Rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels (S, MFS)	$2,114-3,169	$2,174-3,260	$2,208-3,311	$2,259-3,387	$2,319-3,477	$2,396-3,593	$2,474-3,709
Income Levels (MFJ, HoH, QW)	$4,227-6,338	$4,347-6,520	$4,415-6,622	$4,517-6,774	$4,636-6,953	$4,792-7,187	$4,949-7,420
Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels (S, MFS)	$3,170-4,226	$3,261-4,346	$3,312-4,415	$3,388-4,515	$3,478-4,636	$3,594-4,792	$3,710-4,946
Income Levels (MFJ, HoH, QW)	$6,339-8,452	$6,521-8,692	$6,623-8,830	$6,775-9,030	$6,954-9,271	$7,188-9,585	$7,421-9,894
Tax Rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels (S, MFS)	$4,227-5,282	$4,347-5,433	$4,416-5,518	$4,516-5,644	$4,637-5,794	$4,793-5,990	$4,947-6,183
Income Levels (MFJ, HoH, QW)	$8,453-10,564	$8,693-10,866	$8,831-11,036	$9,031-11,288	$9,272-11,589	$9,586-11,981	$9,895-12,368
Tax Rate	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels (S, MFS)	$5,283-7,923	$5,434-8,149	$5,519-8,278	$5,645-8,466	$5,795-8,692	$5,991-8,995	$6,184-9,275
Income Levels (MFJ, HoH, QW)	$10,565-15,846	$10,867-16,298	$11,037-16,556	$11,289-16,932	$11,590-17,383	$11,982-17,971	$12,369-18,552
Tax Rate	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels (S, MFS)	$7,924-21,129	$8,150-21,730	$8,279-22,074	$8,467-22,577	$8,693-23,178	$8,996-23,962	$9,276-24,735
Income Levels (MFJ, HoH, QW)	$15,847-42,258	$16,299-43,460	$16,557-44,148	$16,933-45,154	$17,384-46,356	$17,972-47,925	$18,553-49,472
Tax Rate	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels (S, MFS)	$21,130 +	$21,731 +	$22,075 +	$22,578 +	$23,179 +	$23,963 +	$24,736 +
Income Levels (MFJ, HoH, QW)	$42,259 +	$43,461 +	$44,149 +	$45,155 +	$46,357 +	$47,926 +	$49,473 +
Total Direct Rate[4]	7.6%	7.6%	7.6%	7.6%	7.7%	7.7%	7.7%

Vehicle Fuel Tax Rates per Gallon

	Fiscal Year						
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Diesel	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250
Gasoline	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Propane	0.181	0.181	0.181	0.181	0.181	0.181	0.181
Natural Gas	0.197	0.197	0.197	0.197	0.197	0.197	0.197
Aviation	0.055	0.055	0.055	0.055	0.055	0.055	0.055
Jet	0.045	0.045	0.045	0.045	0.045	0.045	0.045
Total Direct Rate[5]	NA	$0.242	$0.243	$0.243	$0.243	$0.243	$0.242

(per gallon of fuel)

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and vehicle fuel tax rates by legislation, no vote of the populace is required; Idaho Constitution, Art. VII, Section 16; Idaho Code, Sections 63-3024 and 63-2402.

[1]Idaho's personal income tax brackets are adjusted each year for inflation.

[2]The Legislature passed structural reductions in the state income tax base effective for calendar year 2001.

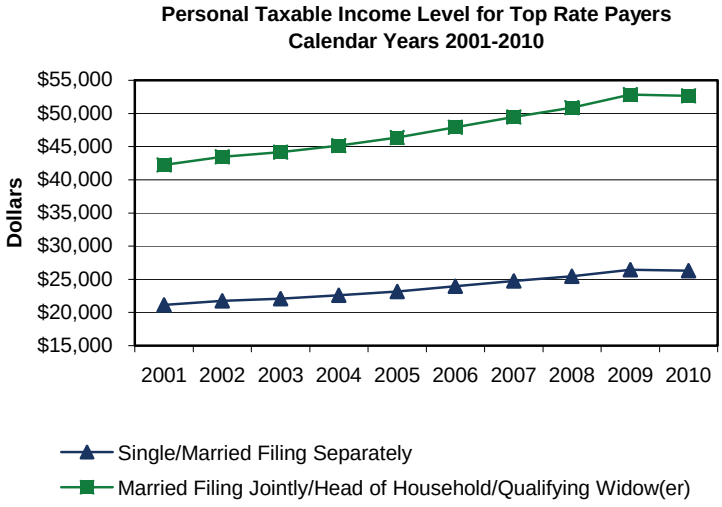
[3]Income categories are as follows: S = Single, MFS = Married Filing Separately, MFJ = Married Filing Jointly, HoH = Head of Household, QW = Qualifying Widow(er).

[4]Personal Income data is currently not available for calendar years 2010 and 2009.

[5]Vehicle fuel sales data is not available for fiscal year 2001.

2008	2009	2010
1.6%	1.6%	1.6%
$0-1,272	$0-1,321	$0-1,316
$0-2,544	$0-2,642	$0-2,632
3.6%	3.6%	3.6%
$1,273-2,544	$1,322-2,642	$1,317-2,632
$2,545-5,088	$2,643-5,284	$2,633-5,264
4.1%	4.1%	4.1%
$2,545-3,816	$2,643-3,963	$2,633-3,948
$5,089-7,632	$5,285-7,926	$5,265-7,896
5.1%	5.1%	5.1%
$3,817-5,088	$3,964-5,284	$3,949-5,264
$7,633-10,176	$7,927-10,568	$7,897-10,528
6.1%	6.1%	6.1%
$5,089-6,360	$5,285-6,604	$5,265-6,580
$10,177-12,720	$10,569-13,208	$10,529-13,160
7.1%	7.1%	7.1%
$6,361-9,540	$6,605-9,907	$6,581-9,870
$12,721-19,080	$13,209-19,814	$13,161-19,740
7.4%	7.4%	7.4%
$9,541-25,441	$9,908-26,418	$9,871-26,320
$19,081-50,882	$19,815-52,836	$19,741-52,640
7.8%	7.8%	7.8%
$25,442 +	$26,419 +	$26,321+
$50,883 +	$52,837 +	$52,641+
7.6%	NA	NA

2008	2009	2010
$0.250	$0.250	$0.250
0.250	0.250	0.250
0.181	0.181	0.181
0.197	0.197	0.197
0.070	0.070	0.070
0.060	0.060	0.060
$0.242	$0.243	$0.245



Schedule 7 - Revenue Payers by Industry/Category

Historical Comparison and Most Current Fiscal/Calendar Year

(dollars in thousands)

Sales Tax

	As of June 30, 2000				As of June 30, 2009			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	301	0.5	$303	0.0	441	0.7	$584	0.0
Agricultural	870	1.5	2,909	0.4	1,073	1.8	6,254	0.5
Mining	127	0.2	1,637	0.2	154	0.3	3,055	0.3
Construction	3,296	5.7	13,193	1.8	4,299	7.0	27,011	2.3
Manufacturing	4,180	7.2	48,545	6.5	5,092	8.4	45,724	3.9
Transportation & Utilities	1,006	1.8	10,062	1.4	1,231	2.0	19,254	1.6
Wholesale trade	1,981	3.4	46,199	6.2	3,402	5.6	98,645	8.5
Retail trade	26,984	46.4	509,636	68.3	24,167	39.6	796,737	68.2
Finance, Insurance, and Real Estate	646	1.1	9,301	1.2	811	1.3	8,136	0.7
Services	18,378	31.6	83,229	11.2	19,612	32.1	128,301	11.0
Government	360	0.6	20,705	2.8	750	1.2	34,752	3.0
Total	**58,129**	**100.0**	**$745,719**	**100.0**	**61,032**	**100.0**	**$1,168,453**	**100.0**

Personal Income

	As of December 31, 1999				As of December 31, 2008			
Income Level	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
$50,000 and under	496,568	89.5	$384,913	42.6	597,728	85.9	$412,653	32.5
$50,000 - $100,000	43,255	7.8	209,536	23.2	70,785	10.2	337,262	26.6
$100,000 - $250,000	11,512	2.1	124,889	13.8	21,801	3.1	227,801	17.9
$250,000 - $1,000,000	3,121	0.5	101,415	11.2	5,056	0.7	160,088	12.6
$1,000,000 and higher	430	0.1	82,553	9.2	667	0.1	132,476	10.4
Total	**554,886**	**100.0**	**$903,306**	**100.0**	**696,037**	**100.0**	**$1,270,280**	**100.0**

Corporate Income

	As of Tax Year 1999				As of Tax Year 2008			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	15,523	27.5	$94,829	89.5	13,783	17.0	($759,563)	84.6
Sub-S Corporations	17,339	30.7	5,522	5.2	29,893	36.8	(35,677)	4.0
Partnerships	15,465	27.3	1,327	1.3	28,075	34.6	(125,039)	13.9
Fiduciary	8,191	14.5	4,286	4.0	9,449	11.6	22,495	(2.5)
Total	**56,518**	**100.0**	**$105,964**	**100.0**	**81,200**	**100.0**	**($897,784)**	**100.0**

Vehicle Fuel Tax

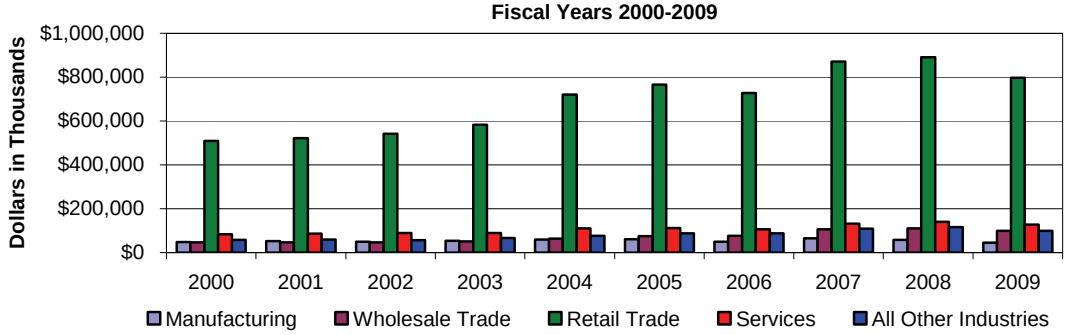
	As of June 30, 2002				As of June 30, 2010			
	Number of Filers[1]	Percent of Total	Tax Liability	Percent of Total	Number of Filers[1]	Percent of Total	Tax Liability	Percent of Total
Diesel	133	39.9	$57,013	26.9	109	42.9	$59,000	27.0
Gasoline	138	41.5	153,105	72.3	103	40.6	158,001	72.3
Propane	26	7.8	55	0.0	19	7.5	26	0.0
Natural Gas	2	0.6	9	0.0		0.0	7	0.0
Aviation	14	4.2	166	0.1	8	3.1	127	0.1
Jet	20	6.0	1,352	0.7	15	5.9	1,401	0.6
Total	**333**	**100.0**	**$211,700**	**100.0**	**254**	**100.0**	**$218,562**	**100.0**

Source: Idaho State Tax Commission.

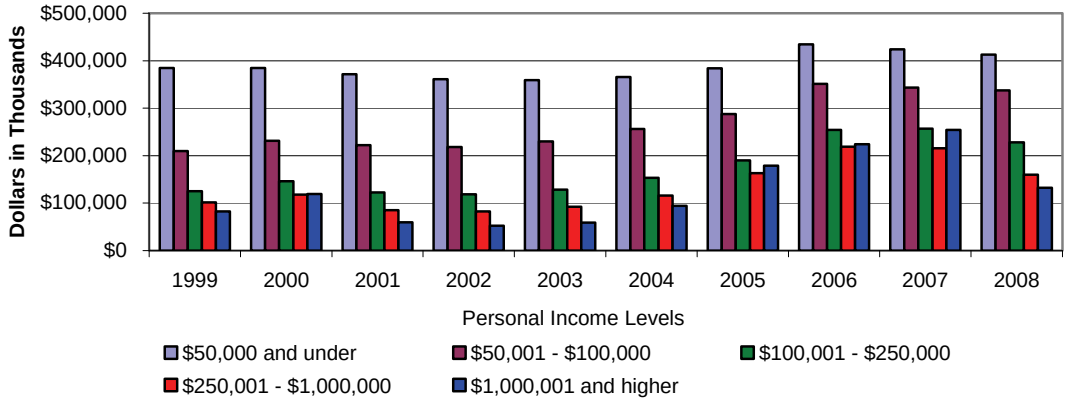
Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2008. Data prior to fiscal year 2002 for fuel tax is not available.

[1]The total number of filers for vehicle fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

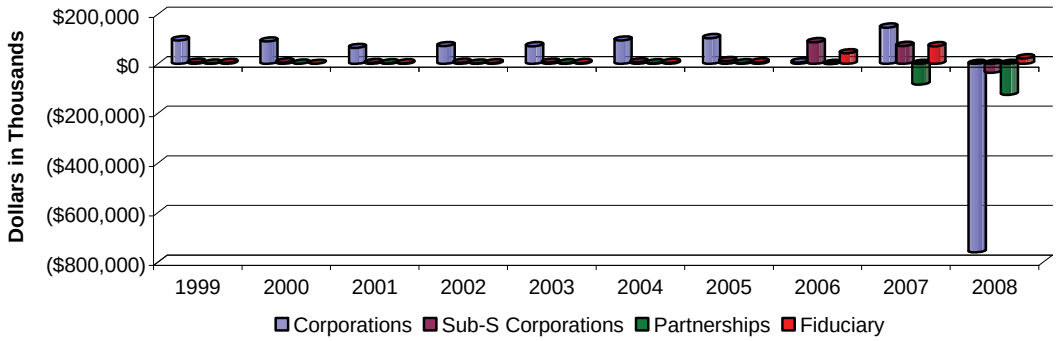
Sales Tax Liabilities by Industry
Fiscal Years 2000-2009



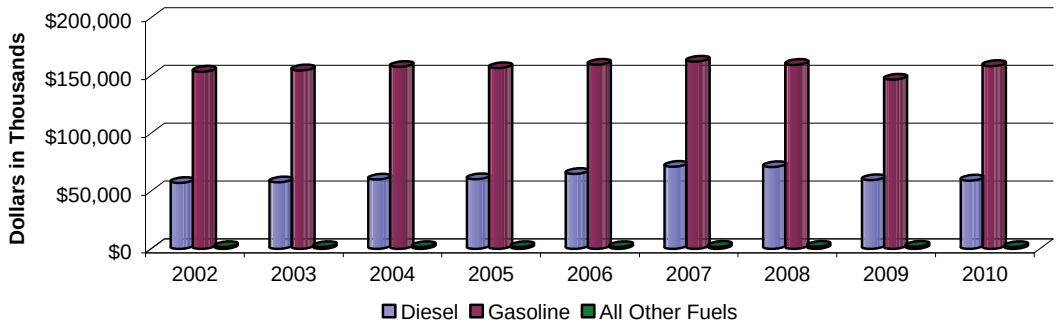
Personal Income Tax Liabilities by Income Level
Calendar Years 1999-2008



Corporate Tax Liabilities
Tax Years 1999-2008



Vehicle Fuel Tax Liabilities
Fiscal Years 2002-2010



Schedule 8 - Ratios of Outstanding Debt

Fiscal Years 2001-2010

(dollars in thousands, except per capita amount)

	2001	2002	2003	2004	2005	2006 (as restated)	2007	2008 (as restated)	2009 (as restated)	2010
Governmental Activities										
Revenue Bonds[1]	$97,300	$105,802	$153,624	$211,031	$203,067	$205,203	$324,657	$306,159	$281,322	$257,088
Capital Leases[2]	4,417	4,121	3,977	5,915	9,428	13,929	12,209	11,997	11,475	33,229
Notes Payable				3,167	1,189	3,776	3,679	3,543	5,118	4,914
Notes Payable to Component Unit[3]							25,947	94,643	215,045	370,430
Total Governmental Activities	**$101,717**	**$109,923**	**$157,601**	**$220,113**	**$213,684**	**$222,908**	**$366,492**	**$416,342**	**$512,960**	**$665,661**
Business-Type Activities										
Revenue Bonds[4]	$193,352	$262,314	$262,517	$318,138	$329,835	$319,308	$402,181	$443,016	$449,410	$473,667
Capital Leases	10,473	11,078	6,464	5,928	1,450	1,709	1,369	1,139	627	468
Capital Leases to Component Unit[5]					3,657	3,422	3,172	2,917	2,652	2,377
Notes Payable[6]	7,747	12,594	12,392	11,841	17,104	16,284	16,802	20,155	50,195	216,134
Total Business-Type Activities	**$211,572**	**$285,986**	**$281,373**	**$335,907**	**$352,046**	**$340,723**	**$423,524**	**$467,227**	**$502,884**	**$692,646**
Total Primary Government	**$313,289**	**$395,909**	**$438,974**	**$556,020**	**$565,730**	**$563,631**	**$790,016**	**$883,569**	**$1,015,844**	**$1,358,307**
Debt as a Percentage of Personal Income[7]	1.0%	1.2%	1.3%	1.5%	1.4%	1.3%	1.7%	1.8%	2.0%	2.8%
Amount of Debt Per Capita[7]	$237.2	$295.0	$321.5	$399.7	$397.3	$385.7	$528.1	$580.0	$656.8	$868.3

Note: The Idaho Constitution, Article VIII, Section 1, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in Note 12 to the financial statements.

[1] In fiscal years 2007, 2006, and from 2002 to 2004, the Idaho State Building Authority issued revenue bonds for state building projects.

[2] In fiscal year 2010 the increase in capital leases is mainly attributable to new leases for land and buildings at the Department of Correction and the Department of Fish and Game.

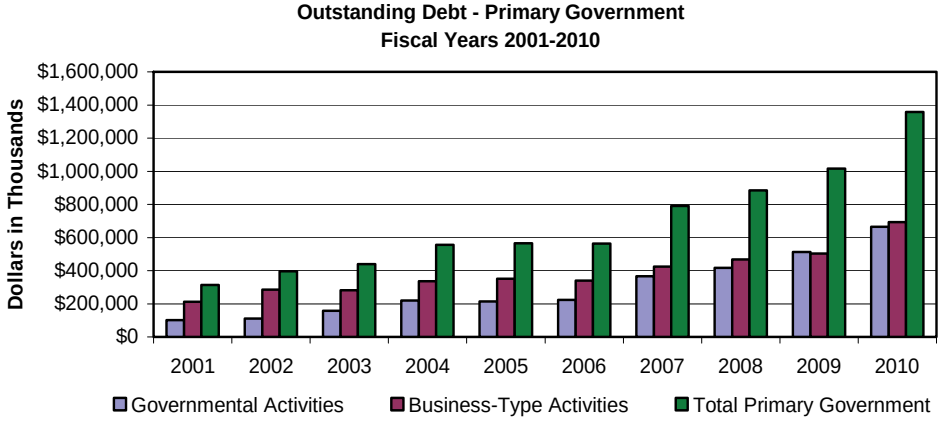
[3] From fiscal years 2007 to 2010 the Idaho Transportation Department issued notes payable to Idaho Housing and Finance Association for road and infrastructure improvements.

[4] From fiscal years 2007 to 2010 and in 2004 and 2002, the colleges and universities issued revenue bonds for various projects.

[5] Prior to fiscal year 2005 capital leases to component units were not reported seperately.

[6] In fiscal years 2010 and 2009 the increase in notes payable is mainly attributable to unemployment compensation loans received from the federal government.

[7] These ratios are calculated using personal income and population for the prior calendar year. See Schedule 11 for personal income and population data.



Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2002-2010

(dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010
Governmental Activities									
Compensated Absences	$52,235	$51,713	$52,806	$54,664	$56,245	$56,629	$56,599	$54,893	$51,996
Policy Claim Liabilities	40,645	39,429	35,174	37,263	36,002	17,867	20,164	19,753	16,956
Claims and Judgments[1]	49,845	43,468	44,129	36,990	34,486	32,924	139,887	112,935	79,890
Net Pension Obligation[2]	19	124	375	621	1,071	1,714	2,375	2,711	11,140
Net OPEB Obligation[3]							20,018	20,373	22,169
Arbitrage Liability[4]						901	1,890	180	80
Total Governmental Activities	**$142,744**	**$134,734**	**$132,484**	**$129,538**	**$127,804**	**$110,035**	**$240,933**	**$210,845**	**$182,231**
Business-Type Activities									
Compensated Absences	$21,432	$20,210	$19,507	$16,814	$16,986	$18,381	$20,067	$20,814	$20,882
Claims and Judgments[5]	1,726								
Grand Prize Annuities Payable[5]	74,747								
Net OPEB Obligation[3]							7,858	9,233	11,267
Arbitrage Liability[6]							445	528	1
Voluntary Termination Benefits[7]									894
Total Business-Type Activities	**$97,905**	**$20,210**	**$19,507**	**$16,814**	**$16,986**	**$18,381**	**$28,370**	**$30,575**	**$33,044**
Total Primary Government	**$240,649**	**$154,944**	**$151,991**	**$146,352**	**$144,790**	**$128,416**	**$269,303**	**$241,420**	**$215,275**

Note: Details regarding the liabilities listed above can be found in Note 12 to the financial statements.

[1]In fiscal year 2008 the Department of Health and Welfare changed its method of reporting Medicaid claims to include an estimate for incurred but not reported claims from providers.

[2]In fiscal year 2010 the increase in the net pension obligation is mainly attributable to a restatement of the Idaho Judges' Retirement Fund due to a new actuarial valuation.

[3]Net OPEB obligation was not required to be reported prior to fiscal year 2008.

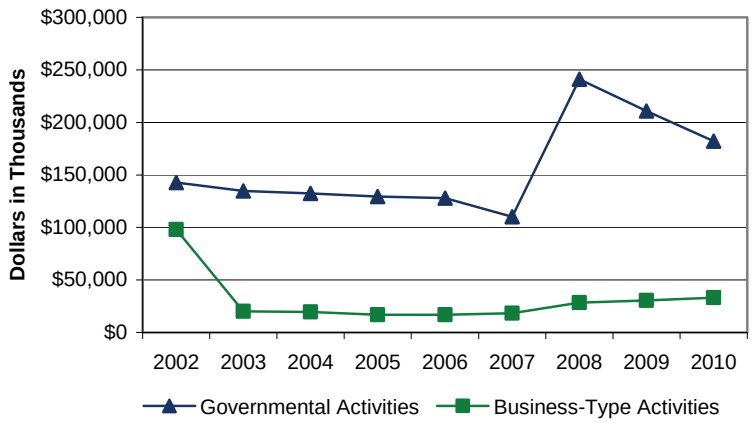
[4]From fiscal years 2007 to 2010 the Idaho State Building Authority recorded an arbitrage liability.

[5]In fiscal year 2003 the Idaho State Lottery changed its method of reporting liabilities and investments related to grand prize winners receiving annuity payments, eliminating both the long-term liability and related investment.

[6]From fiscal years 2008 to 2010 the colleges and universities recorded an arbitrage liability.

[7]In fiscal year 2010 the University of Idaho established a voluntary Exit Incentive Program (EIP) for eligible employees to leave University employment with an economic incentive.

Other Long-Term Liabilities - Primary Government
Fiscal Years 2002-2010



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 2001-2010

(dollars in thousands)

	2001	2002	2003	2004	2005	2006	2007
Revenue Bonds - Colleges and Universities[1]							
Revenue:							
Student Fees Pledged		$36,855	$36,578	$120,060	$131,669	$138,670	$144,471
Sale of Goods and Services Pledged		29,343	31,288	63,650	66,414	66,000	71,770
Other Income Pledged[2]						7,178	9,867
Less: Operating Expenses		NA	NA	(43,052)	(50,720)	(51,842)	(52,020)
Net Available Revenue		$66,198	$67,866	$140,658	$147,363	$160,006	$174,088
Debt Service:							
Principal		$6,195	$6,130	$14,850	$8,940	$10,725	$11,890
Interest		11,059	13,558	14,056	15,220	15,217	13,728
Coverage		3.8	3.4	4.9	6.1	6.2	6.8
Revenue Bonds - Idaho Water Resources Board[3]							
Revenue:							
Sale of Goods and Services	$934	$727	$863	$905	$926	$876	$908
Interest Earned on Bond Proceeds	10						
Less: Operating Expenses	(144)	(235)	(112)	(233)	(191)	(101)	(162)
Net Available Revenue	$800	$492	$751	$672	$735	$775	$746
Debt Service:							
Principal	$10	$25	$40	$60	$80	$100	$290
Interest	371	371	369	366	363	357	310
Coverage	2.1	1.2	1.8	1.6	1.7	1.7	1.2
Notes Payable - Idaho Transportation Department[4]							
Revenue:							
Federal Highway Grants[5]							$282,848
State Funds							2,227
Available Revenue							$285,075
Debt Service:							
Principal							$2,426
Interest							6,766
Coverage							31.0
Notes Payable - Colleges and Universities[6]							
Revenue:							
Student Fees Pledged					$157	$147	$148
Housing Fees Pledged					NA	NA	NA
Less: Operating Expenses					NA	NA	NA
Available Revenue					$157	$147	$148
Debt Service:							
Principal					$94	$98	$102
Interest					45	41	37
Coverage					1.1	1.1	1.1

Note: Details regarding the State's outstanding bonds can be found in Note 12 to the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

[1]GASB Statement Nos. 34 and 35 were implemented in fiscal year 2002 requiring the initial reporting of pledged revenue. Pledged revenue increased in fiscal year 2004 due to a change in how the colleges and universities define pledged revenue.

[2]In fiscal year 2008 other pledged income increased mainly due to revenues pledged as collateral for all outstanding bond issuances by the University of Idaho.

[3]In fiscal year 1999 the Idaho Water Resources Board issued bonds to fund the Dworshak Project, a dam and power-generation station. The bond proceeds were invested until needed to pay construction costs, resulting in interest earned. Upon completion of the Dworshak Project in fiscal year 2001, hydro-electric power has been sold to service the bond payments. In fiscal year 2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, accounting for the increase in debt service for fiscal year 2007.

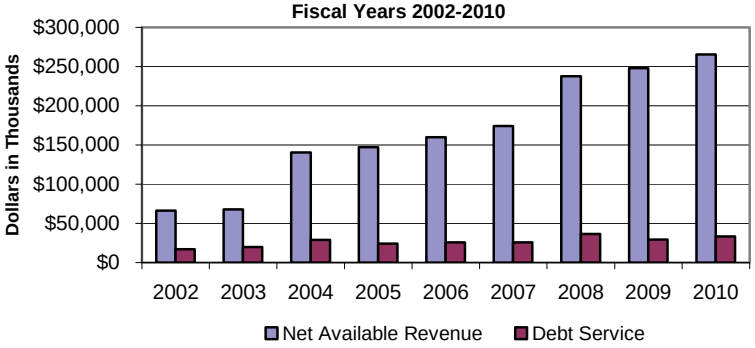
[4]From fiscal years 2007 to 2010 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance improvements to various roads and related infrastructure within the State.

[5]In fiscal year 2010 federal highway grants received by the Idaho Transportation Department increased due to the delayed reimbursement of fiscal year 2009 federal construction awards and for the receipt of Title XII American Recovery and Reinvestment Act stimulus funds. In fiscal year 2009 federal highway grants received by the Idaho Transportation Department decreased mainly due to the delay in awarding construction contracts, decreased construction costs, and the related reimbursement of federal awards.

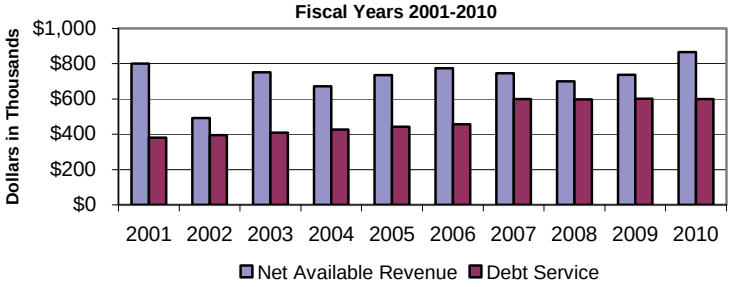
[6]In fiscal year 2009 Lewis-Clack State College issued notes payable to purchase a residence hall; housing fees associated with the residence hall account for the increase in available revenue. In fiscal year 2004 Lewis-Clark State College issued notes payable to construct a student activity center; the first payment was due in fiscal year 2005.

2008	2009	2010
$179,630	$197,711	$212,768
85,348	84,327	91,258
31,174	25,337	22,641
(58,259)	(59,487)	(61,226)
$237,893	$247,888	$265,441
$15,610	$9,755	$13,190
20,793	19,473	20,339
6.5	8.5	7.9
$816	$886	$983
(117)	(149)	(117)
$699	$737	$866
$305	$325	$340
294	277	259
1.2	1.2	1.4
$313,917	$221,084	$354,777
3,470	2,656	3,216
$317,387	$223,740	$357,993
$20,240	$30,589	$8,176
8,245	11,787	19,074
11.1	5.3	13.1
$148	$146	$142
NA	$417	$445
NA	(297)	(154)
$148	$266	$433
$106	$127	$114
33	63	25
1.1	1.4	3.1

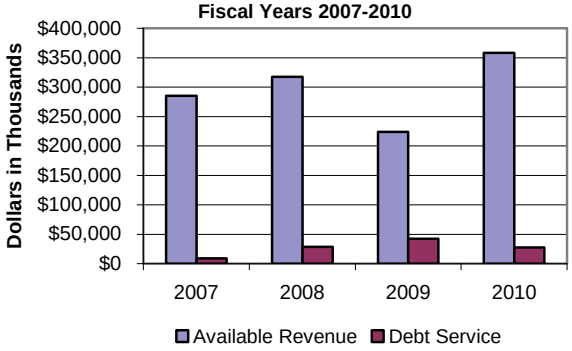
Colleges and Universities, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2002-2010



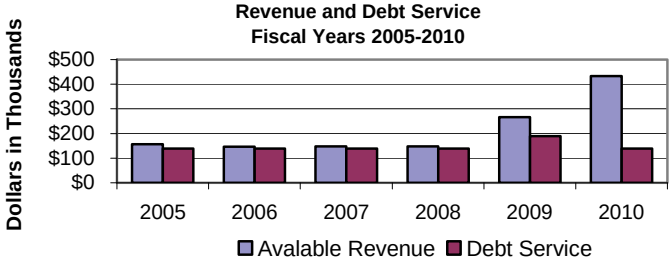
Idaho Water Resources Board, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2001-2010



Idaho Transportation Department, Notes Payable
Revenue and Debt Service
Fiscal Years 2007-2010



Colleges and Universities, Notes Payable
Revenue and Debt Service
Fiscal Years 2005-2010



Schedule 11 - Demographic and Economic Indicators

Calendar Years 2001-2010

	2001	2002	2003	2004	2005	2006	2007
Population							
Idaho *(in thousands)*	1,321	1,342	1,366	1,391	1,424	1,461	1,496
Change	1.7%	1.6%	1.8%	1.9%	2.4%	2.6%	2.4%
National *(in thousands)*	285,694	288,472	291,178	293,846	296,574	299,422	302,393
Change	1.0%	1.0%	0.9%	0.9%	0.9%	1.0%	1.0%
Total Personal Income[1]							
Idaho *(in billions)*	$34	$35	$36	$40	$42	$46	$49
Change	8.3%	3.0%	3.3%	9.6%	6.7%	9.6%	6.2%
National *(in billions)*	$8,883	$9,060	$9,378	$9,937	$10,486	$11,268	$11,912
Change	3.8%	2.0%	3.5%	6.0%	5.5%	7.5%	5.7%
Per Capita Personal Income[2]							
Idaho	$25,651	$26,010	$26,411	$28,429	$29,627	$31,636	$32,821
Change	6.5%	1.4%	1.5%	7.6%	4.2%	6.8%	3.7%
National	$31,094	$31,407	$32,207	$33,818	$35,357	$37,633	$39,393
Change	2.7%	1.0%	2.5%	5.0%	4.6%	6.4%	4.7%
Median Age - Idaho	33.3	33.5	33.6	33.7	33.9	33.9	33.9
Educational Attainment							
8th Grade or Less	4.7%	4.7%	5.2%	5.2%	4.5%	4.3%	4.5%
Some High School, No Diploma	9.1%	9.1%	10.1%	10.1%	7.6%	8.4%	8.7%
High School Diploma	31.5%	31.5%	28.5%	28.5%	29.7%	28.3%	29.7%
Some College, No Degree	25.7%	25.7%	27.3%	27.3%	26.1%	27.0%	25.8%
Associate, Bachelor or Graduate Degree	29.0%	29.0%	28.9%	28.9%	32.1%	32.0%	31.3%
Resident Civilian Labor Force and Employment in Idaho							
Civilian Labor Force	675,828	682,861	690,799	703,067	738,739	749,244	748,709
Employed	642,908	645,958	654,222	669,728	710,556	723,621	726,091
Unemployed	32,920	36,903	36,577	33,339	28,183	25,623	22,618
Unemployment Rate	4.9%	5.4%	5.3%	4.7%	3.8%	3.4%	3.0%
Nonfarm Wage and Salary Workers Employed in Idaho							
Goods Producing Industries							
Mining	1,973	1,759	1,785	1,932	2,160	2,374	2,667
Logging and Wood Products	9,848	9,552	9,046	9,293	9,617	10,034	9,582
Construction	37,860	36,468	36,739	39,840	45,131	52,052	52,602
Manufacturing-Durable Goods	35,250	32,767	30,901	31,250	32,485	34,564	34,612
Manufacturing-Nondurable Goods	25,294	24,484	23,913	23,131	22,927	23,234	23,861
Total Goods Producing Industries	**110,225**	**105,030**	**102,384**	**105,446**	**112,320**	**122,258**	**123,324**
Non-Goods Producing Industries							
Trade	98,088	97,343	97,119	99,129	103,671	107,459	111,646
Service	249,578	253,631	260,020	269,016	280,746	292,728	304,485
State and Local Government	96,862	98,488	99,397	101,146	101,862	103,522	103,960
Federal Government	13,280	13,552	13,625	13,315	13,083	12,878	12,818
Total Non-Goods Producing Industries	**457,808**	**463,014**	**470,161**	**482,606**	**499,362**	**516,587**	**532,909**
Total Nonfarm Wage and Salary Employment	**568,033**	**568,044**	**572,545**	**588,052**	**611,682**	**638,845**	**656,233**

Sources: Idaho Division of Financial Management, Idaho Department of Labor, Idaho State Board of Education, U.S. Bureau of Economic Analysis, and U.S. Census Bureau.

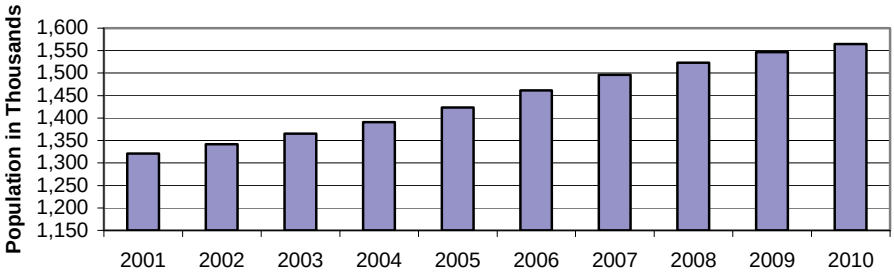
Note: Amounts for calendar years 2010 and 2009 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and U.S. Census Bureau.

[1]Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

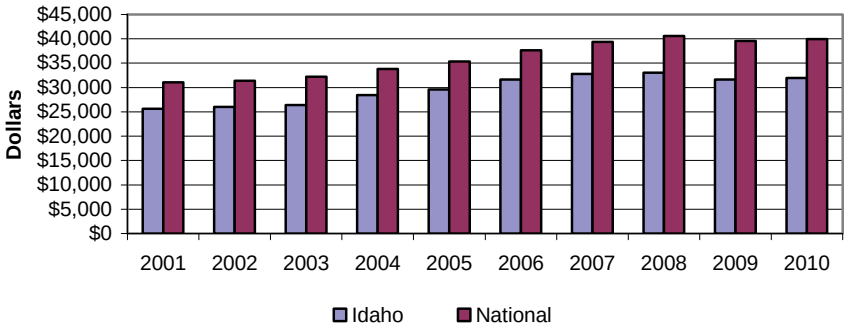
[2]Per capita personal income is calculated by dividing total personal income by population.

2008	2009	2010
1,523	1,547	1,564
1.8%	1.5%	1.1%
305,169	307,842	310,834
0.9%	0.9%	1.0%
$50	$49	$50
2.6%	-2.8%	2.2%
$12,391	$12,175	$12,412
4.0%	-1.7%	1.9%
$33,056	$31,632	$31,948
0.7%	-4.3%	1.0%
$40,604	$39,549	$39,932
3.1%	-2.6%	1.0%
34.0	34.1	34.1
4.5%	3.9%	5.0%
8.2%	7.8%	7.1%
30.1%	29.9%	27.7%
25.4%	25.4%	27.6%
31.8%	33.0%	32.6%
756,320	749,660	755,798
719,113	689,556	687,372
37,207	60,104	68,426
4.9%	8.0%	9.1%
2,601	2,173	2,283
8,130	5,857	5,497
45,012	34,392	30,837
31,877	26,343	25,605
24,581	23,639	23,698
112,201	**92,404**	**87,920**
110,452	102,443	100,852
307,071	296,049	301,500
105,963	106,012	103,871
13,199	13,488	14,163
536,685	**517,992**	**520,386**
648,886	**610,396**	**608,306**

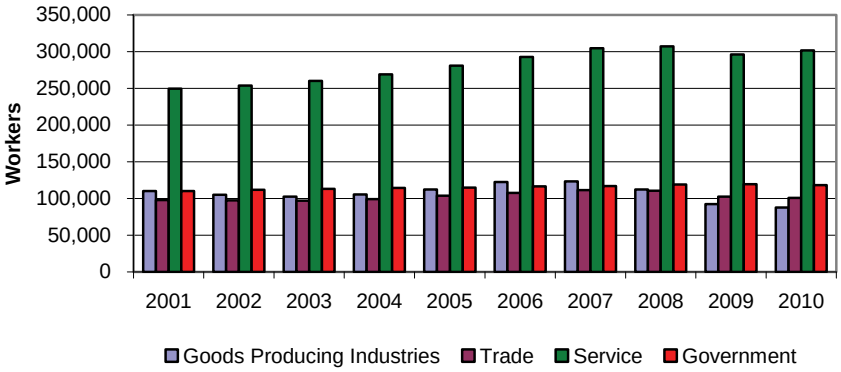
Idaho Population
Calendar Years 2001-2010



Per Capita Personal Income
Calendar Years 2001-2010



Nonfarm Wage and Salary Workers Employed in Idaho
Calendar Years 2001-2010



Schedule 12 - Principal Employers

Current Year and Nine Years Ago

	As of June 30, 2001			As of June 30, 2010		
Major Idaho Employers	**Number of Employees**	**Rank**	**Percent of Total State Employment**	**Number of Employees**	**Rank**	**Percent of Total State Employment**
State of Idaho[1]	17,500-18,000	1	2.8	18,500-19,000	1	2.7
Federal Government	13,000-13,500	2	2.1	13,000-13,500	2	1.9
St Luke's Regional Medical Center	3,500-4,000	10	0.6	7,500-8,000	3	1.1
Wal-Mart Associates, Inc.	4,000-4,500	7	0.7	6,500-7,000	4	1.0
Micron Technology, Inc.	10,000-11,000	3	1.6	5,500-6,000	5	0.8
Meridian Joint School District #2				4,500-5,000	6	0.7
Albertsons, Inc.	5,500-6,000	5	0.9	4,000-4,500	7	0.6
Battelle Energy Alliance LLC	6,000-6,500	4	1.0	3,500-4,000	8	0.5
Independent School District of Boise City	3,500-4,000	9	0.6	3,500-4,000	9	0.5
Brigham Young University-Idaho				3,500-4,000	10	0.5
J.R. Simplot Co.	4,500-5,000	6	0.7			
Hewlett-Packard Co.	3,500-4,000	8	0.6			
Total	**73,750**		**11.6**	**72,500**		**10.3**

Source: Idaho Department of Labor, except state employees, which are from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given.

[1]Number of state employees includes only full-time personnel.

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12

Academic Years 2000/01-2009/10

	2000/01	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Elementary	131,835	132,406	133,501	135,216	137,579	141,898	146,224	150,068	151,865	154,333
Secondary	113,174	114,009	115,014	116,821	118,425	120,009	121,309	121,990	123,210	124,189
Total All Grades	**245,009**	**246,415**	**248,515**	**252,037**	**256,004**	**261,907**	**267,533**	**272,058**	**275,075**	**278,522**

Source: Idaho Department of Education

Public Higher Education Enrollment

Student Headcount (Calendar Years 2001-2010)

	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Boise State University	17,176	17,688	18,431	18,418	18,650	18,880	19,542	19,670	18,936	19,993
Idaho State University	13,663	13,352	13,625	13,803	13,977	12,679	13,362	12,644	13,493	12,595
University of Idaho	12,067	12,423	12,894	12,824	12,476	11,739	11,636	11,791	11,957	12,302
Lewis-Clark State College	2,952	2,967	3,228	3,145	3,222	3,211	3,269	3,334	3,521	3,822
Eastern Idaho Technical College	598	702	860	788	753	758	762	768	870	862
Total Colleges and Universities	**46,456**	**47,132**	**49,038**	**48,978**	**49,078**	**47,267**	**48,571**	**48,207**	**48,777**	**49,574**

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

Schedule 14 - State Employees by Function
Fiscal Years 2001-2010

Full-Time Employees

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Tax Commission	400	389	370	391	383	387	389	392	393	368
Department of Administration	158	167	162	153	157	153	164	138	142	139
All Other	1,050	1,075	1,054	1,025	1,069	1,069	1,093	1,144	1,161	1,133
Public Safety and Correction										
Department of Correction	1,302	1,381	1,345	1,365	1,407	1,454	1,516	1,560	1,586	1,543
Idaho State Police	451	469	451	454	455	462	467	469	485	465
Department of Juvenile Corrections	267	320	320	327	328	333	342	350	396	381
All Other	351	348	344	321	333	333	339	336	349	327
Health and Human Services										
Department of Health and Welfare	2,806	2,814	2,658	2,657	2,687	2,764	2,885	2,917	2,922	2,887
Education										
Colleges and Universities	5,658	5,973	5,857	5,723	5,776	5,878	6,004	6,063	6,124	6,242
All Other	511	524	499	517	538	540	480	456	468	469
Economic Development										
Idaho Transportation Department	1,760	1,774	1,773	1,786	1,774	1,745	1,717	1,726	1,758	1,772
Department of Commerce and Labor[1]				584	580	553	496			
Department of Labor[1]	453	464	472					440	436	506
Department of Agriculture	320	309	296	305	281	302	307	301	293	279
All Other	723	774	785	712	819	840	840	933	932	909
Natural Resources										
Department of Environmental Quality	331	351	350	353	352	345	352	356	365	340
Department of Fish and Game	468	481	494	504	497	500	506	502	513	504
Department of Lands	214	206	218	221	231	225	234	244	242	235
Department of Parks and Recreation	139	136	141	137	147	146	141	146	155	147
All Other	192	191	186	160	182	182	181	193	195	182
State Total	**17,554**	**18,146**	**17,775**	**17,695**	**17,996**	**18,211**	**18,453**	**18,666**	**18,915**	**18,828**

Part-Time and Temporary Employees[2]

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	359	357	364	346	356	363	361	405	334	385
Public Safety and Correction	207	183	188	187	186	207	195	223	192	159
Health and Human Services	660	710	614	671	589	654	591	620	400	286
Education	2,815	2,724	2,960	2,766	2,779	2,638	2,740	3,347	2,880	2,532
Economic Development	924	947	886	970	984	936	900	896	907	838
Natural Resources	517	549	529	548	591	590	608	686	603	518
State Total	**5,482**	**5,470**	**5,541**	**5,488**	**5,485**	**5,388**	**5,395**	**6,177**	**5,316**	**4,718**

Source: Office of the Idaho State Controller.

[1]In fiscal year 2004 legislative action combined the Department of Commerce with the Department of Labor. In fiscal year 2008 legislative action seperated the Department of Commerce from the Department of Labor.

[2]Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function

Calendar/Fiscal Years 2001-2010

	2001	2002	2003	2004	2005	2006	2007
General Government							
Tax Commission							
Number of Returns Filed *(in thousands)*	1,909	1,886	1,981	2,046	2,117	2,204	2,180
Number of Returns Filed Electronically *(in thousands)*	131	156	212	258	310	345	386
Department of Administration							
Construction Projects Administered	276	250	200	143	186	424	538
Employees Covered by Benefit Plans	18,841	19,115	19,250	18,076	18,495	18,829	19,045
Public Safety and Correction							
Department of Correction[1]							
Incarcerated Offenders	5,452	5,802	5,825	6,312	6,526	6,976	7,357
Supervised Offenders	7,945	8,473	9,346	9,955	10,926	11,825	12,581
Idaho State Police							
Drug Related Arrests[2]	845	733	821	967	779	598	989
DUI Arrests[2]	1,764	1,640	1,723	1,708	1,461	817	1,744
All Other Arrests[2]	1,015	896	960	1,098	849	724	811
Department of Juvenile Corrections							
Number of Juveniles in the System	848	804	726	676	709	725	710
Rate of Recommitment to DJC Custody	10.0%	6.0%	8.2%	11.4%	15.2%	11.0%	11.6%
Health and Human Services							
Department of Health and Welfare[1]							
Medicaid Enrollees[3]	129,484	147,726	158,672	169,511	178,694	178,858	184,508
Percent of Population	9.8%	11.0%	11.6%	12.2%	12.6%	12.2%	12.3%
Food Stamp Recipients	59,601	71,478	84,066	92,963	94,956	91,032	86,946
Percent of Population	4.5%	5.3%	6.2%	6.7%	6.7%	6.2%	5.8%
Education							
Colleges and Universities[1]							
Enrollment	46,456	47,132	49,038	48,978	49,078	47,267	48,571
Number of Certificates and Degrees Awarded[4]	7,138	7,085	7,935	8,193	8,546	8,262	8,555
Economic Development							
Idaho Transportation Department							
Percent of Pavement Which is Deficient[1]	18%	15%	16%	19%	19%	19%	20%
Vehicles Weighed *(in thousands)*	2,460	2,490	2,340	2,630	2,760	3,090	2,800
Department of Labor							
Individuals Registered for Employment	166,372	174,236	192,121	191,346	206,422	184,178	175,178
Job Openings Received	79,443	69,677	56,802	68,533	83,951	101,502	96,239
Department of Agriculture							
Conduct Disease Tests on Animals	330,893	277,008	380,762	422,751	253,960	118,821	208,338
Inspections of Dairy and Egg Farms	4,279	4,391	4,464	4,251	5,683	6,022	4,374
Natural Resources							
Department of Fish and Game							
Citations and Warnings Issued	5,071	5,094	5,359	5,744	4,681	4,790	6,140
Hatchery Fish Raised *(in thousands)*[2]	32,735	32,348	27,859	38,099	41,740	40,649	35,502
Hunting and Fishing Licenses Sold[2]	552,195	541,994	531,745	527,164	539,590	521,489	572,617
Department of Environmental Quality							
Air Quality Sites Monitored	64	67	70	64	37	42	35
Water Sites Monitored[5]	510	500	436	442	673	658	506
Department of Lands[1]							
Forest Products Harvested *(in million board feet)*	223	200	170	254	188	206	215
Fires Responded to on IDL Land	410	319	362	292	228	445	349
Department of Parks and Recreation							
Park Visitation *(in thousands)*[1,2,6]	2,415	2,582	2,489	2,358	2,648	2,738	4,248
Recreational Registrations *(in thousands)*[6]	192	188	216	233	237	256	273

Sources: Idaho Division of Financial Management; Idaho State Tax Commission; Office of the Idaho State Controller; Idaho State Police; Idaho State Board of Education; and the Idaho Departments of Administration, Correction, Juvenile Corrections, Health and Welfare, Transportation, Labor, Agriculture, Fish and Game, Environmental Quality, Lands, and Parks and Recreation.

Note: Operating indicators for fiscal years 2010 and 2009 are estimates, unless otherwise noted, below.

[1]Operating indicators for 2009 are actual amounts, not estimates.

[2]Operating indicators are reported on a calendar year basis.

[3]In fiscal year 2007 the Department of Health and Welfare changed the way Medicaid enrollees were calculated.

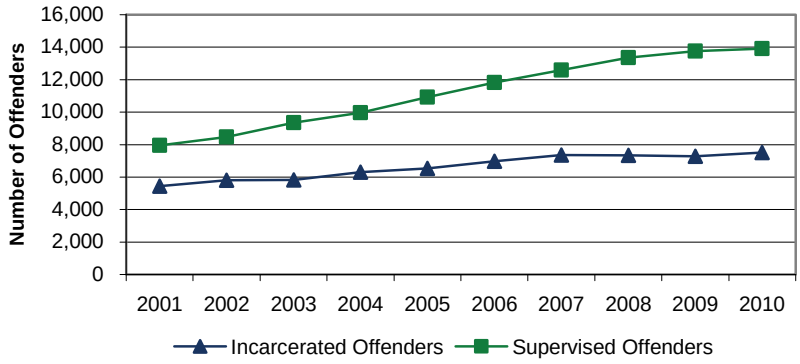
[4]Number of certificates and degrees awarded includes Eastern Idaho Technical College beginning in fiscal year 2003.

[5]In fiscal year 2009 the Department of Environmental Quality suspended surface water monitoring activities due to the fiscal year 2009 budget cuts.

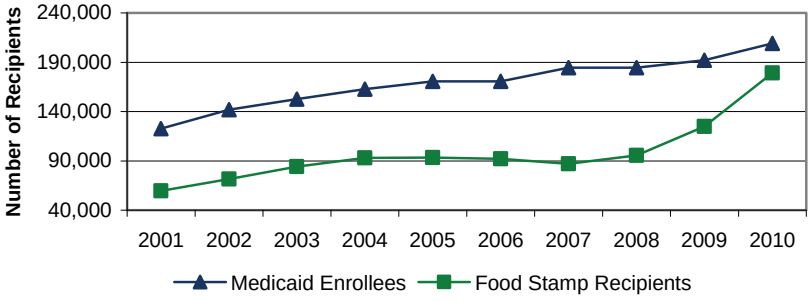
[6]Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

2008	2009	2010
2,292	2,220	2,226
436	457	492
529	443	431
19,319	19,507	19,343
7,338	7,283	7,504
13,361	13,756	13,902
850	895	982
1,654	1,977	2,441
1,278	1,281	1,163
744	659	568
11.7%	18.4%	17.0%
184,465	191,989	209,126
12.1%	12.4%	13.4%
95,433	124,826	179,074
6.3%	8.1%	11.4%
48,207	48,777	49,574
8,369	8,595	8,521
19%	20%	18%
2,700	2,400	2,400
222,606	284,205	334,896
77,012	46,967	47,956
303,184	367,698	362,905
3,933	4,130	4,203
5,411	5,435	4,799
29,573	22,676	27,085
536,681	571,179	548,949
31	42	41
610	0	128
225	190	NA
247	352	NA
4,203	4,460	NA
274	286	NA

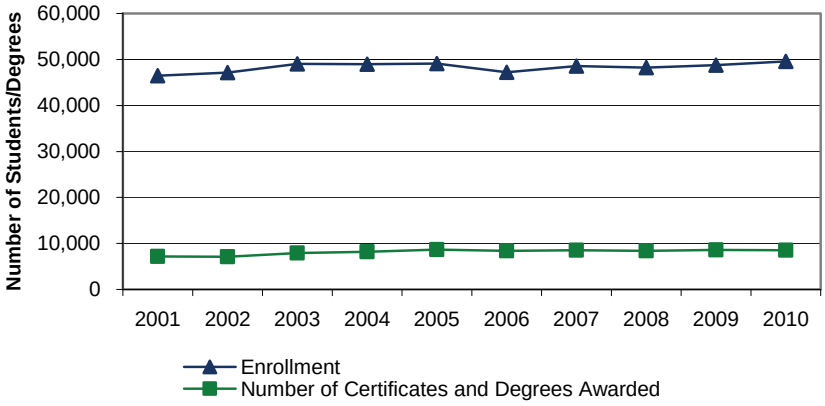
Department of Correction - Adult Offenders
Fiscal Years 2001-2010



Department of Health and Welfare
Medicaid Enrollees and Food Stamp Recipients
Fiscal Years 2001-2010



Colleges and Universities - Enrollment and Degrees Awarded
Fiscal Years 2001-2010



Schedule 16 - Capital Asset Statistics by Function

Fiscal Years 2001-2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Department of Administration										
Buildings *(square footage in thousands)*	661	661	661	661	733	741	741	728	728	728
Public Safety and Correction										
Department of Correction										
Buildings	78	80	81	82	84	84	87	88	89	92
Vehicles	257	285	301	330	334	339	353	392	342	359
Idaho State Police										
Vehicles	280	360	403	454	425	422	441	431	443	431
Machinery and Equipment	626	699	720	807	812	783	846	867	928	810
Department of Juvenile Corrections										
Buildings *(square footage in thousands)*	199	252	252	252	252	252	252	250	250	239
Vehicles	32	39	41	46	53	53	52	54	53	56
Health and Human Services										
Department of Health and Welfare										
Buildings *(square footage in thousands)*	951	951	928	928	928	928	914	914	978	934
Vehicles	589	588	582	518	490	517	539	518	520	501
Education										
Colleges and Universities										
Buildings (*square footage in thousands*)	10,868	11,396	11,358	11,743	11,919	12,265	12,539	12,890	13,612	13,931
Economic Development										
Idaho Transportation Department										
Highway Lane Miles[1]	11,779	11,831	11,819	11,852	11,874	11,874	11,877	11,930	11,944	11,989
Vehicles	95	95	109	112	97	96	96	96	96	96
Heavy Equipment	530	530	551	545	552	585	585	589	589	589
Department of Agriculture										
Scientific and Laboratory Equipment	125	136	142	145	147	156	162	165	176	165
Vehicles	108	134	140	158	166	191	209	201	195	196
Natural Resources										
Department of Fish and Game										
Hatcheries	19	19	19	19	19	19	19	22	22	23
Vehicles	381	467	610	722	766	692	646	621	670	636
Boats	256	274	288	302	302	296	289	286	287	281
Wildlife Management Areas	33	33	33	33	33	33	33	33	33	32
Department of Environmental Quality										
Air Monitoring Instruments	172	192	199	125	126	131	119	124	166	167
Water Sampling/Quality Equipment	224	271	276	82	88	94	87	88	76	78
Department of Lands										
Acres of Land (*in thousands*)[1]	2,400	2,461	2,464	2,462	2,460	2,460	2,460	2,461	2,460	2,446
Vehicles	251	297	332	361	341	346	353	351	350	356
Department of Parks and Recreation										
State Parks	33	33	34	34	34	34	35	35	35	30
Acres of State Park Land (*in thousands*)	56	56	58	58	58	58	59	59	59	58
Buildings	253	258	261	274	281	287	316	321	320	332
Vehicles	192	208	223	232	240	257	288	312	343	329

Sources: Office of the Idaho State Controller; Idaho Departments of Juvenile Corrections, Health and Welfare, Transportation, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: Idaho State Tax Commission, the Department of Commerce, and the Department of Labor are not capital asset intensive.

[1]Highway lane miles and acres of land for fiscal year 2010 are based on estimates.

Schedule 17 - Assets, Liabilities, and Fund Balances
General Fund Accounts
June 30, 2010
(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
ASSETS					
Cash and Cash Equivalents	$2				
Pooled Cash and Investments	14,443	$54,187	$80,003	$79,341	$55,071
Investments		10,241			952
Securities Lending Collateral	220,791	7,626			709
Accounts Receivable, Net	439	4		16,188	
Taxes Receivable, Net	246,556	2,359			383
Interfund Receivables	7	2,401			
Due from Other Entities					
Inventories and Prepaid Items	1,338	1		107	55
Loans, Notes, and Pledges Receivable, Net					
Other Assets	2	55			6
Restricted Assets:					
Cash and Cash Equivalents				53	
Investments				89,180	
Total Assets	$483,578	$76,874	$80,003	$184,869	$57,176
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$13,000	$7,979		$52	$62
Payroll and Related Liabilities	9,986	77		8	22
Interfund Payables	1,284	21			22
Due to Other Entities					
Deferred Revenue	75,463	5,424		16,188	4
Amounts Held in Trust for Others	108				
Obligations Under Securities Lending	220,791	7,626			709
Other Accrued Liabilities	195	8,609			1
Total Liabilities	320,827	29,736		16,248	820
Fund Balances					
Reserved for:					
Encumbrances	1,045	27	$68		21,742
Inventories and Prepaid Items	1,338	1		107	55
Noncurrent Receivables					
Permanent Trusts				2,374	
Other Purposes				89,233	
Unreserved, Reported in:					
General Fund	160,368	47,110	79,935	76,907	34,559
Total Fund Balances	162,751	47,138	80,003	168,621	56,356
Total Liabilities and Fund Balances	$483,578	$76,874	$80,003	$184,869	$57,176

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
					$684	$686
$33,911	$2,092	$5,584	$3,329	($3,356)	69,364	393,969
						11,193
						229,126
				58	1	16,690
14,317	33,472				446	297,533
					302	2,710
					488	488
				6,679	55	8,235
					2,356	2,356
						63
3,953					2,654	6,660
						89,180
$52,181	$35,564	$5,584	$3,329	$3,381	$76,350	$1,058,889
	$87	$1,957		$1	$293	$23,431
			$113	45	332	10,583
						1,327
$33,843						33,843
1,883	15,188				3,000	117,150
						108
						229,126
		523			13,805	23,133
35,726	15,275	2,480	113	46	17,430	438,701
					1,157	24,039
				6,679	55	8,235
					2,657	2,657
						2,374
3,953						93,186
12,502	20,289	3,104	3,216	(3,344)	55,051	489,697
16,455	20,289	3,104	3,216	3,335	58,920	620,188
$52,181	$35,564	$5,584	$3,329	$3,381	$76,350	$1,058,889

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances
General Fund Accounts
For the Fiscal Year Ended June 30, 2010
(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	$954,562	$5,000			
Individual and Corporate Taxes	1,213,484	6,515			$300
Other Taxes	34,825	13,820			4,423
Licenses, Permits, and Fees	11,439	2			1,657
Sale of Goods and Services	463	112			2,762
Grants and Contributions	17				115
Investment Income	12,535	2,345	$733	$6,186	1,365
Tobacco Settlement				25,990	
Other Income	1,829	124		7	84
Total Revenues	2,229,154	27,918	733	32,183	10,706
EXPENDITURES					
Current:					
General Government	75,191	30,002	1,746	1,171	797
Public Safety and Correction	218,133		1,181	479	1,657
Health and Human Services			2,327	3,221	2,425
Education	103,006	169	437		1,218,758
Economic Development	23,653	599		8	544
Natural Resources	20,839		4		
Capital Outlay	30,664	59,703	446		308
Intergovernmental Revenue Sharing	24,036				
Debt Service:					
Principal Retirement	755	152			
Interest and Other Charges	14,130	248			1
Total Expenditures	510,407	90,873	6,141	4,879	1,224,490
Revenues Over (Under) Expenditures	1,718,747	(62,955)	(5,408)	27,304	(1,213,784)
OTHER FINANCING SOURCES (USES)					
Capital Lease Acquisitions	22,580				
Sale of Capital Assets	177	1			
Transfers In	290,706	19,191	10,880	9,144	1,381,857
Transfers Out	(2,024,543)	(21,145)	(122,480)	(9,139)	(160,765)
Total Other Financing Sources (Uses)	(1,711,080)	(1,953)	(111,600)	5	1,221,092
Net Changes in Fund Balances	7,667	(64,908)	(117,008)	27,309	7,308
Fund Balances - Beginning of Year	155,084	112,046	197,011	141,312	49,048
Fund Balances - End of Year	$162,751	$47,138	$80,003	$168,621	$56,356

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
$154,411					$3,611		$1,117,584
					8,164		1,228,463
							53,068
		$133		$78	5,710		19,019
				29	5,329		8,695
					3,168		3,300
		87			766		24,017
							25,990
		2,191		1,574	25,362		31,171
154,411		2,411		1,681	52,110		2,511,307
	$36,142		$5,744	101	8,137		159,031
					670		222,120
		33,139					41,112
					35,493		1,357,863
				204	906		25,914
				4,241	3,090		28,174
				58	1,072		92,251
152,691	299				1,748		178,774
					11		918
							14,379
152,691	36,441	33,139	5,744	4,604	51,127		2,120,536
1,720	(36,441)	(30,728)	(5,744)	(2,923)	983		390,771
							22,580
							178
	56,000	33,772	5,905	7,728	39,538	($1,690,236)	164,485
	(14,488)				(43,518)	1,690,236	(705,842)
	41,512	33,772	5,905	7,728	(3,980)		(518,599)
1,720	5,071	3,044	161	4,805	(2,997)		(127,828)
14,735	15,218	60	3,055	(1,470)	61,917		748,016
$16,455	$20,289	$3,104	$3,216	$3,335	$58,920		$620,188

Schedule 19 - Miscellaneous Statistics

State Capital	Boise
Admitted to the Union	July 3, 1890
Nickname	The Gem State
Motto	Esto Perpetua (Let It Be Perpetual)
Population	1,564,400
Highest Elevation Point	Mt. Borah
	12,662 Feet Above Sea Level
Lowest Elevation Point	Snake River, Lewiston
	710 Feet Above Sea Level
Number of Lakes	More Than 2,000
State Bird	Mountain Bluebird
State Fish	Cutthroat Trout
State Flower	Syringa
State Gem Stone	Idaho Star Garnet
State Horse	Appaloosa
State Insect	Monarch Butterfly
State Song	"Here We Have Idaho"
State Tree	Western White Pine

Sources: *Idaho Blue Book* , 2009-2010
Idaho Fiscal Facts 2010
Idaho Economic Forecast, July 2010 (Population)

TWENTY LARGEST COMMUNITIES IN IDAHO

Boise	205,707
Nampa	81,241
Meridian	68,516
Idaho Falls	55,312
Pocatello	55,076
Coeur d'Alene	43,805
Caldwell	43,281
Twin Falls	42,741
Lewiston	31,887
Rexburg	28,856
Post Falls	26,909
Moscow	24,338
Eagle	19,668
Ammon	13,942
Kuna	13,909
Hayden	13,190
Chubbuck	12,483
Mountain Home	12,266
Garden City	11,891
Blackfoot	11,153

Source: *Idaho Fiscal Facts 2010*

LAND AREA AND USE (in square miles)

Total Area	83,557
Land Area	82,677
Water Area	880
Federal Land	52,724
Total Non-Federal Land	30,833
Total Rural Land	78,768
Agricultural Land	12,170
Range Land	34,353
Forest Land	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Source: *Idaho Blue Book* , 2009-2010

IDAHO COMMODITY RANKINGS

Commodity	U.S. Rank	U.S. %
Potatoes	1	29
Austrian Winter Peas	2	51
Wrinkled Seed Peas	2	25
Barley	3	21
Sugarbeets	2	18
All Mint	3	17
Hops	3	8
Lentils	4	13
Dry Edible Peas	4	3
Dry Edible Beans	5	6
Sweet Cherries	6	1
All Wheat	11	4
Apples	18	1
All Hay	9	4

Source: *Idaho Fiscal Facts 2010*

The State Controller's Office Today

Division of Statewide Accounting

The Division of Statewide Accounting (DSA) prepares various statewide financial statements such as the Comprehensive Annual Financial Report, the Citizen-Centric Report, and the Legal Basis Report. The DSA offers review services related to internal controls, security, and reporting to state agencies; as well as training to state fiscal personnel regarding new accounting regulations and proper reporting. The DSA processes day-to-day accounting transactions, generates state warrants, reconciles cash with the State Treasurer, coordinates 1099 MISC annual reporting to the IRS, monitors agency appropriations, and works with the 90 plus agencies in a variety of tasks. The DSA works as a liaison between customers and technical staff through development, support, and maintenance of the statewide financial systems. The DSA offers agency staff and the general public various support services including public information requests.

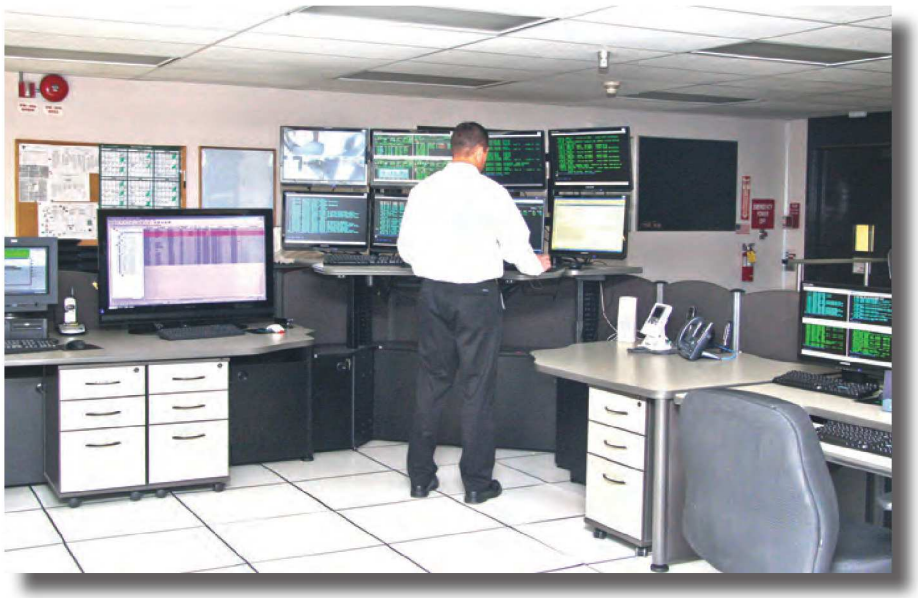
Division of Statewide Payroll

The Division of Statewide Payroll (DSP) currently pays over 24,000 state employees. The State Controller's Office facilitated the creation of a statewide data warehouse and business intelligence tool for agencies to run financial, human resources, and payroll reports out of the Employee Information System and Division of Statewide Accounting systems. These advancements allow agencies to get the data output from the legacy mainframe systems quickly, easily, and efficiently. The DSP has also developed other employee self-service web applications for state employees such as online pay stubs, time and attendance sheets, and online W-2 forms.

Division of Computer Services

The Division of Computer Services (DCS) provides a wide variety of technology services to state agencies throughout Idaho. Services include open systems and mainframe application development; web development; database development, administration and support; data storage, management, backup and archive; server and firewall housing and hosting; mainframe application housing and hosting; business continuity and disaster recovery planning and services; and project management services. The DCS maintains a full-service, 24/7 data center, the largest in state government, and monitors and supports a wide variety of computing platforms from desktop computing to super-server processing on the mainframe. The data center is a secure facility equipped with high-volume cooling, conditioned power with battery and generator backup, and modern FM200 fire suppression. The DCS is self-supporting, funded solely by providing high-quality services to customers at a reasonable cost.

The Office of the State Controller has been recognized at the national level for excellence in the production of the financial reports for the past 13 years, for participation in implementing new accounting standards, for effectiveness and efficiency in payroll performance processing, and for innovative use of technology in many customer applications developed and deployed.



State Controller's Office Computer Service Center

Council Bill No 40.

An Act.

Defining the duties and fixing the Salary of "Territorial Comptroller."

Passed the House January 4th 1866.

Alex Blakely

Speaker House Representatives

Passed the Council January 8d. 1866.

E. Bohannon

President of Council.

Approved January 6th A.D. 1866.

Caleb Lyon of Lyonsdale

The Governor of Idaho

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